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# SAN FRANCISCO AIRPORT COMMISSION



## MINUTES

JANUARY 7, 2003

9:00 A.M.

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CITY AND COUNTY OF SAN FRANCISCO

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WILLIE L. BROWN, JR., MAYOR

## COMMISSIONERS

HENRY E. BERMAN

President

LARRY MAZZOLA

Vice President

MICHAEL S. STRUNSKY

LINDA S. CRAYTON

CARYL ITO

JOHN L. MARTIN

Airport Director

SAN FRANCISCO INTERNATIONAL AIRPORT  
SAN FRANCISCO, CALIFORNIA 94128



Minutes of the Airport Commission Meeting of  
January 7, 2003

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# AIRPORT COMMISSION MEETING MINUTES

January 7, 2003

## A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

## B. ROLL CALL:

Present:	Hon. Larry Mazzola, Vice President
	Hon. Michael S. Strunsky
	Hon. Linda S. Crayton
	Hon. Caryl Ito

Absent:	Hon. Henry E. Berman, President
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\* \* \*

## C. ADOPTION OF MINUTES:

The minutes of the regular meeting of December 17, 2002 were adopted unanimously.

No. 03-0001

\* \* \*

## D. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Strunsky, referring to a letter from Gary Franzella to proposers in the West Field Cargo Area RFP, expressed his concern in limiting the participants for the interview process to four, and, limiting the duration to 30 minutes.

Commissioner Mazzola agreed that adequate time needed to be provided to both sides to make their presentations.

Mr. Martin responded that 30 minutes would be allotted for each side to make their presentation in addition to whatever time was necessary for a Q and A. Participants would be limited to four principals per side, believing that the principals should be able to answer any questions presented by the panel. If, however, the principals wished assistance in responding to any question, those individuals would be situated in an adjoining conference room and would be available as necessary.

Commissioner Crayton agreed with Mr. Martin, indicating that no consultants should be present for the interview.

Commissioner Ito agreed that additional time needed to be provided and that additional





representatives should be available, however, not necessarily in the room.

\* \* \*

E. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was put over without discussion.

1. Award of Contract No. 3577B - Sanitary Sewer and Storm Drain Systems SCADA Installation - Bass Electric - \$1,167,731

Resolution awarding Contract 3577B, Sanitary Sewer and Storm Drain Systems SCADA Installation, to the lowest responsive, responsible bidder, Bass Electric, in the amount of \$1,167,731

Item Nos 2 and 3 were called together. Item Nos. 2 and 3 were moved by Commissioner Strunsky and seconded by Commission Ito. The vote to approve was unanimous.

2. Award Lease for a Wireless High Fidelity Communications System - T-Mobile USA, Inc.

No. 03-0002

Resolution awarding a Wireless High Fidelity Communications System Lease to T-Mobile USA, Inc.

Ms. Theresa Lee, Deputy Director, Administration explained that this item requests award of the Airport's lease for a wireless high fidelity communications system to T-Mobile, USA.

The Airport received three proposals on December 24, 2002 ... from AT&T Wireless, T-Mobile and Sprint PCS. All proposers were deemed to have met the minimum qualification requirements in the RFP.

The panelists, comprised of persons with expertise in the relevant areas, reviewed the proposals and ranked T-Mobile with the highest score.

The lease term is for five years with two-one year options exercisable by the Commission at its sole discretion. The annual rent is the greater of 10% of gross revenues, or the minimum annual guarantee reflecting a graduated scale ranging from \$60,000 for the first two years to \$125,000 the fifth year.

Award of this lease to T-Mobile is subject to the Human Rights Commission's determination that T-Mobile complies with the Equal Benefits Ordinance and approval of their non-discrimination in employment policy.



3. Sponsorship Agreement with Intel Corporation

No. 03-0003                      Resolution authorizing Director to approve a three-month sponsorship agreement with Intel Corporation.

Ms. Lee explained that this item requests authorization to enter into negotiations with Intel Corporation for a sponsorship agreement.

The Airport Commission approved corporate sponsorship of the Airport Museum and Exhibition program and the Airport Information Booths.

Intel has expressed interest in providing sponsorship in connection with the launch of the Airport's WiFi service. Approval of this item will allow staff to proceed with negotiations. The sponsorship terms will be presented to the Commission at a later date for approval.

Item No. 4 was moved by Commissioner Strunsky and seconded by Commission Ito. The vote to approve was unanimous.

4. Award Contract 8171 - Terminal 3 Frontage Extension - Cuevas & Mannion Construction Inc. - \$559,000

No. 03-0004                      Resolution awarding Contract 8171, Terminal 3 Frontage Extension, to the lowest responsive, responsible bidder, Cuevas & Mannion Construction Inc., in the amount of \$559,000

\* \* \*

F. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 5 and 6, was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

5. Bid Call - Contract No. 3562 - Runway 1R-19L Overlay and Reconstruction

No. 03-0005                      Resolution approving the scope, budget, and schedule for Contract No. 3562, Runway 1R-19L Overlay and Reconstruction, and authorizing the Director to call for bids when ready.

6. Award of Boarding Area "F" Hub Handbag or Music Store Lease - Altitudes Partners, LP

No. 03-0006                      Resolution awarding the Boarding Area "F" Hub Handbag or Music Store Lease to Altitudes Partners, LP.



\* \* \*

G. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were requests to speak from the public.

\* \* \*

H. CORRESPONDENCE:

There was no discussion by the Commission.

\* \* \*

I. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:20 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled Dillingham Construction, N.A. v City and County of San Francisco, San Mateo Superior Court No. 416236; and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

The Commission reconvened its public session at 9:40 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

\* \* \*

J. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:41 A.M.

  
Jean Caramatti  
Commission Secretary





# SAN FRANCISCO AIRPORT COMMISSION



## MINUTES

**JANUARY 30, 2003**

**SPECIAL MEETING**

**8:15 A.M.**



**ROOM 400 - CITY HALL  
400 VAN NESS AVENUE**

**CITY AND COUNTY OF SAN FRANCISCO**

**WILLIE L. BROWN, JR., MAYOR**

## COMMISSIONERS

**HENRY E. BERMAN**  
President

**LARRY MAZZOLA**  
Vice President

**MICHAEL S. STRUNSKY**

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Minutes of the Airport Commission Special Meeting of  
January 30, 2003

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# AIRPORT COMMISSION SPECIAL MEETING MINUTES

January 30, 2003

## A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

## B. ROLL CALL:

Present: Hon. Larry Mazzola, Vice President  
Hon. Michael S. Strunsky  
Hon. Linda S. Crayton  
Hon. Caryl Ito

Absent: Hon. Henry E. Berman, President

\* \* \*

## C. ADOPTION OF MINUTES:

The minutes of the regular meeting of January 7, 2003 were adopted unanimously.

No. 03-0008

\* \* \*

## D. DIRECTOR'S REPORTS:

### 1. FY 2001-02 Report of Airport Contract Awards to Minority Business Enterprises and Women Business Enterprises (MBEs/WBEs)

Annual report of Airport contracts awarded for FY 2001-02 to Minority and Women-Owned Businesses in Construction, Professional Services and Concessions.

Ms. Sandra Crumpler, Outreach, explained that the report in front of the Commission reflects the period from July 1, 2001 through June 30, 2002 during which time the Airport awarded professional service and construction contracts totaling over \$78.5 million, representing 13 contracts.

Of this number, minority and women prime contractors and subcontractors were awarded approximately \$19.4 million, or 24% of this total amount. This is reflected in the chart on Page 2.

Four of the construction contracts were awarded in accordance with Federal



DBE regulations (49CFR Part 26), and the remaining eight contracts were awarded in accordance with the City's MBE/WBE/LBE ordinance.

In comparison with the two past fiscal years, these numbers reflect a reduction in the number of contracts, due primarily to the winding down of the Master Plan. For example, in 2000/2001 42 contracts were awarded; in 1999/2000 55 contracts were awarded.

During this same period five concession leases were awarded: a retail store for accessories, candy store, luggage carts, DVD and film rental service, and a coffee kiosk located in the Rental Car Center which was awarded to a certified DBE.

We continue to participate in local workshops and seminars to share upcoming contracting opportunities with interested small businesses and contractors, and we will be working closely with a consultant team and staff to insure outreach to the minorities, women and DBEs on the domestic terminals concession redevelopment project.

Commissioner Crayton asked if we have a brochure for minority and women businesses interested in doing business at the Airport.

Ms. Crumpler responded that it is available on the website and it is also disseminated at workshops and seminars. We are also working with the various ethnic chambers, the 26 business development centers located Bay Area wide, project managers on contract closeouts to insure that payments are being issued to minority and women contractors and that the contract amount awarded is actually being paid at closeout. Discrepancies are investigated and resolution is sought.

Commissioner Crayton asked if many discrepancies are being found.

Mr. Crumpler responded that not many are being found.

Commissioner Ito understood that far fewer contracts are being awarded, but hoped that access was being provided to locally and minority-owned businesses.

\* \* \*

#### E. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

#### G. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 4 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The item was approved by a 3-1 vote, with Commissioner Mazzola casting the dissenting vote.



The following is a verbatim transcript of Item No. 4.

4. West Field Cargo Area Redevelopment Project

No. 03-0010

Resolution authorizing staff to enter into exclusive Negotiations for a Lease Disposition and Development Agreement and Ground Lease for the West Field Cargo Redevelopment Project.

COMMISSIONER MAZZOLA: Okay. So, we're going to have each team speak and give their presentation. We're going to try to hold that to between 5 and 10 minutes. So, please be as brief as you can. Say what you have to say. But, you've been before the Commission once before. So, we'll go on with that. We'll have the Airis group first. So, representatives of the Airis group first.

MR. RON FACTOR: Good morning, honorable Commissioners, and Mr. Martin. My name is Ron Factor, President of Airis.

While he is setting up (power point presentation - Attachment No. 1) I would like to just begin some opening comments. I want you to know that the Airis team certainly appreciates this opportunity to be here today. The process in which we engaged has been a long and arduous one. It is one that we feel that has thoroughly reviewed the products of the proposals and is one that we are confident that in the final analysis will prove that the Airis proposal is the better choice for the Commission.

Airis took seriously all requirements of the RFP, which is well written and was very complete. It comprehensively addressed the multiple facets that make a cargo facility project successful. Airis's proposal thoroughly and expertly addressed all requirements of the RFP and rendered a project that (1) meets and exceeds requirements of the existing tenants, providing state-of-the-art function at low cost. It uniquely creates a performance platform for excellent long term operation. It provides a backbone for future flexibility. It positions SFO to better serve the foreign air cargo market and attracts new business now and keeps it for the future.

I am pleased to have the opportunity to tell you how Airis and its project team delivered the better solution to SFO.

As we said earlier, Airis is in the air cargo and aviation development business. It is our only business. Our ability to render the best cargo product for SFO is based on this single focused concentration. Airis has been in the business almost 20 years and we have become the preeminent development company. We understand the market.

As an indication of our experience in successful project approach strategies, we have developed or have underway 2.3 million square feet of aviation facilities at airports, which on the average are 99.95% long term leased. We understand the business.





Airis's proposal for the new SFO cargo facility is a complete proposal. It is cohesive. It's a project structured on the three tenets of successful facility design ... superior planning and development, superior operations planning and superior finance structures.

We have not approached the project as a real estate endeavor where maximized revenues and investment strategies are the driving forces. Our entire approach is based on a balance of complex interplay of many aviation and air cargo functions.

It all starts with planning, it then becomes a success with appropriate financing, and finally the structure becomes complete with an enduring operations plan.

For the SFO market, real growth is the Asian North American market place. All business forecasts tell us that ... Boeing, ACI, Airbus, etc. We have done our homework. We have researched the market. We have designed a facility that will attract foreign carriers and keep them in San Francisco. We understand that these carriers rely on wide-bodied aircraft as the backbone of their fleet and rely on them to deliver profitable results.

Airis's facility design incorporates all the state-of-the-art features necessary to attract and keep foreign carriers.

Our proposal provides three wide-body positions in the first phase. It provides six wide body positions in the ultimate phase. Contrast that to our competitor whose initial proposal before the Commission in November indicated that they were prepared to provide one wide body aircraft and two narrow body aircraft positions. Sensing the Commission's desire to ride the trends, they put forth before the Airport a second proposal that clearly indicates ... and, then Art Gensler, one of our team members ... our key team members here to confirm this, that they cannot fit three wide bodies on this site. There are apron plan problems. The wide bodies, in order to get to the positions ,encroach on the adjacent leasehold which is forbidden by the RFP. They tried to accommodate wide bodies by (1) moving the building toward the west, which then puts the parking and other landside functions outside of the leasehold. And then they tried to move the building back towards the east to accommodate this leasehold encroachment problem. Then the aircraft are outside of the leasehold on the east side.

Security ... We have strived to propose a facility that meets the strictest security issues. This is particularly poignant after 9/11 and particularly timely in light of the introduction just last Wednesday by legislation by Senators Feinstein and Hutchinson of Texas ... your home Senator and our home Senator ... saying that the real vulnerability of airports is aircraft and air cargo. Accordingly, using Kroll, one of the worlds technology leading experts in security, we have designed a facility with security that has the following salient features ... our entry points for trucks have live security guards, it provides about 30 queuing spaces off the roadways which can be thoroughly inspected and the paperwork cross checked, 400 closed circuit television monitors and cameras, we have only two points of egress and one point of ingress, contrast to AMB which has



four points of ingress, four points of egress, and no security whatsoever for trucks pulling at the ground level or for pedestrians at the ground level.

Kroll has designed this, keeping in mind the legislation proposed by the Senators, and the European union standards to maximize security if cargo ... when cargo is planned.

Finance ... We have proposed project financing with two very important features not contained in the AMB proposal. One, we are providing AAA-rated bond insurance that guarantees that bond holders will be paid if for some reason the project goals are not realized.

Two, it does not jeopardize the reputation or credit of the Airport. In contrast to AMB, they have proposed a AAA-rated MAG guarantee. In contrast to AMB we have also included a long term financing plan that capitalizes on low interest rates that we are enjoying today. It's a historic opportunity.

Our pro forma is derived from real committed deliver dates as per the instructions of your RFP.

We are proud to say that we have achieved our pre-lease threshold for bond insurance with 75% of the cargo warehouse accounted for in terms of a letter of intent from prospective tenants.

In conclusion, Airis does this ... does air cargo facility development as exclusive handiwork. This is who we are. We are professionals. We are the only company that fully responded to every section of the RFP and is fully compliant with every section of the RFP. We are the only company that has fully replied to the MBE participation program for the San Francisco community. We worked diligently with the community to achieve that. We've actually exceeded the goals put forth in the RFP. We paid attention to the RFIs and we know that you want to deal with professionals who know how to make this project work.

You will find that the same cannot be said about our competitors proposal. In fact, you will find that your own consultant, John Brown, says in his report that AMB is not fully compliant with the RFP and we can show it to you in regard to the site plan, the MPOE and the taxiway. We can show it to you in regard to the security plan, and in regard to the local business enterprise participation.

And in closing, based on an assessment of the merits of these two proposals, there is only one conclusion that can be drawn ... that is that the experience, the team work and the proposal of Airis not only meets and exceeds your requirements of the RFP but will meet and exceed the performance expectations of what the City and SFO want from this project. This project will take SFO into the 21<sup>st</sup> century as a leader in air freight cargo. AMB has a marketing plan, we have tenants.

I am here today to, as a matter of record, to bring letters of intent (Attachment No. 2) from key foreign airlines, including Lufthansa Cargo, including Korean Airlines, and the worlds largest cargo handling company, CSC, a Swiss



company, with their letters of intent committing to their space. Along with the displaced tenants, we achieve a 72% pre-lease threshold which will trigger a guarantee from our bond insurer so that in the analysis we are ready to begin this project whenever you are.

Thank you, very much for this opportunity. We are honored to be here. If you have any questions I have many of my team members here who are able to answer your questions.

Thank you.

COMMISSIONER MAZZOLA: Thank you, very much. There will be questions but we'll do them at a later point. Okay. Thank you.

Okay. Now can we have the team of AMB, please.

MR. DAVID FRIES: Honorable Commissioners, Mr. Martin, my name is David Fries. I'm the Executive Vice President, Strategic Initiatives and Corporate Affairs of AMB Property Corporation, headquartered right here in San Francisco. I'm responsible for AMB's strategic business units, including our airport facilities groups, as well as our corporate business units, including our legal department. I sit on AMB's Investment and Executive Committees and am authorized to make representations and act on behalf of AMB.

I'm here before you today to strongly urge you to follow the recommendation of all but one of the members of the Selection Panel and authorize Airport staff to enter into exclusive negotiations with AMB. If such selection is confirmed by you, I assure you that AMB will devote all the resources necessary to make this project a stunning success for our City, and I personally assure you that our project will be a model of inclusiveness, that we will meet or exceed all local business enterprise requirements of the RFP and, most importantly, the project expenditures will actually end up in the hands of the disadvantaged business owners for whom the City's LBE requirements were designed.

As you are aware, an independent Selection Panel was convened on two occasions to make a recommendation regarding the award of this project. Last fall, following review of the RFP proposals submitted by the two finalists, the Selection Panel recommended the AMB team by a vote of 5-1. And then, earlier this month, at the direction of and in accordance with procedures established by this very Commission, the Selection Panel reconvened to consider additional information submitted by the finalists and to hear presentations from each of the finalists.

Again, all but one of the members of the Selection Panel voted in favor of AMB.

The Selection Panel deliberations were summarized in a report prepared by the John F. Brown Company. While we do not question the accuracy of the facts presented in the Brown summary, we do not believe that the report adequately





focuses on the individual scoring of the panelists.

As you are aware, all but one of the panelists selected the AMB team, a fact which is largely ignored in the Brown report.

Our first slide (power point presentation - Attachment No. 3) breaks down the scoring by panelists. Bars above the line are votes in favor of AMB. Bars below the line are votes in favor of Airis.

As this slide indicates, in all three individual components ... development, operations, business and finance ... the AMB team was selected by a majority of the panelists.

In terms of the total score, four of the five voted for AMB .. and only one panelist voted in favor of the Airis proposal. In this case by a very wide margin ... 22 to 30 points more in favor of the Airis team than every single other panelist. The scoring of the fifth panelist was so skewed in favor of Airis they had the effect of creating an impression of the Selection's Panel scoring was, in fact, much closer than it actually was.

As you know, we are in the real estate business. When we go out and we bid a job and all of the bids are bunched in a very narrow area and one bid is dramatically, dramatically lower than all the other bids, we know something is wrong. Perhaps the bidder misunderstood the specs, perhaps they made a critical miscalculation. Whatever it is we know that somehow someone made a mistake. And, usually, we actually throw out that bid.

Remember last winter's Olympics in Salt Lake City? The pairs competition. The French judges scores that seemed so out of line with all the others? Everyone knew that something was wrong in that case.

We have a business philosophy approach in culture at AMB that focuses on taking the high road, but I don't believe that we have ever been maligned like this before, and certainly not in our own home town. From the moment that the Selection Panel recommended AMB last October the Airis team has relied on a series of half truths, misrepresentations and mischaracterizations to attack the AMB team's proposal.

Let me cite just one example. At the first Commission hearing, Airis claimed that our on-airport occupancy rate was 56%. Later, in their November 29 submittal, they claimed that our on-airport occupancy rate was 76% and that the occupancy rate of our on-airport developments was only 68%, figures that were much, much lower than the figures cited by AMB. How did Airis arrive at these figures? They went on our website, they took a marketing report that clearly indicated on its face ... and it clearly indicated on all the materials he submitted to you ... that such space was not currently available and he classified the space as if it were vacant.

Airis, like us, is in the real estate business. They had to know this space was, in fact, occupied but they chose to treat it as vacant. To do otherwise would not





have made their case. Fortunately, we were able to conclusively prove the true state of fact by providing detailed information to the selection panel, which information was consistent with all of AMB's prior claims as well as our publicly released reporting data.

Airis has also alleged various design defects in our plans based on their own assumptions about ... in their own drawings of our design. And they had the audacity to do this regardless of the fact that the plans and specifications included in our RFP had not been publicly released nor otherwise been made available for public review.

We submitted a letter to you yesterday raising certain procedural issues relating to this as well as certain other matters, a copy of which we left with the Commission Secretary this morning (Attachment No. 4).

The selection panel asked us numerous questions about these alleged design defects, all of which allegations we addressed to their satisfaction. I must confess we breathed a sigh of relief when we learned that the Selection Panel had, in fact, been able to navigate through the mine field led by Airis and had reaffirmed their original decision.

Before I conclude I would like to briefly summarize the key reasons why the Selection Panel voted in favor of AMB and why we believe the Commission should authorize Airport staff to enter into exclusive negotiations with AMB. First, given the current financial crisis facing the City, the Airport and the aviation industry it is imperative now more than ever that the Commission select the team that has the dramatically superior financing capability and proposal. Unlike Airis's financing proposal, there are no contingencies to our financing plan. As noted in several independent reports requested by the Commission Airis may or may not be able to obtain bond insurance and this contingency must be resolved in order for Airis to obtain financing. Yes, they said today that they've met their pre-lease threshold, I would point out that letters of intent are not signed leases, they are just, really, non-binding expressions of interest.

And, even assuming on face value that Airis's claim that they be able to obtain bond insurance if they achieve one to one debt service coverage, this would require Airis to lease well in excess of 400,000 square feet at warehouse rents averaging approximately \$30.00 a square foot, a level that's roughly 75% higher than prevailing rental rates in the west cargo area today.

We note that in the RFP one of the considerations was to give precedence to the airlines that will be affected by this project. None of the alleged letters of intent ... which, as I point out again, are not leases ... mentioned by Airis today includes any of the impacted airlines ... not Northwest, not American, no one else that's currently located in the West Cargo area.

We know that Kurt Forsgren, who's S&P's well-known project finance expert indicated in a recent airport research report that coverage on a project basis should be a minimum of 1.25X not the 1 to 1X claimed by Airis. Mr. Forsgren further indicated that a key determinant in obtaining an investment grade rating



is a percentage of debt service being paid by investment grade carriers. My intent is not to debate who is correct ... Mr. Forsgren or Airis ... but to stress a fact that no one can deny ... Airis cannot finance this project and commence construction unless it actually has signed leases of a very large amount of space, at very high rents with investment grade tenants. And, as you can readily see, the credit of the airline industry, particularly the credit of the airlines impacted by the West Cargo Redevelopment Project is pretty dire today. None of the network airlines ...not one of them ... the group most immediately affected by this project is investment grade rated.

As you are well aware, in the RFP preference was supposed to be given to these exact network airlines. This is in sharp contrast AMB's own financial strength which is investment grade rated. If one assumes that S&P's expert knows a little more about financing than the Airis team ... well, we all know the conclusion. The odds of Airis ever building this project in the manner proposed are very slim. While they will, of course, never be able to admit it, Mr. Factor, Mr. Golden and the rest of the Airis team all know that if they had AMB's balance sheet they would have never proposed project financing for this project.

Second, AMB's phasing and marketing plan is vastly superior to Airis. This line is taken from the John F. Brown Report. The top chart shows Airis's space delivery plan, and the bottom chart shows AMB's space delivery plan.

As you will note, Airis delivers a vast quantity of space in a very short window ... in fact, more than doubling the amount of cargo space at SFO. Meanwhile, AMB is delivering space at a very smooth and gradual pace.

The next slide illustrates the market demand study undertaken by Leigh Fisher Associates and what happens when you overlay AMB's and Airis's development plans. The smooth blue line on the bottom represents market demand. The wavy red line on the top of this first slide here indicates AMB's delivery of space to the market. The next slide, the red wavy line, indicates Airis's delivery of space in the market. In our opinion, this slide just about says it all. There is simply no way that a AAA -rated bond insurer is ever going to put their credit on the line for a project that is this far out of whack with what the market is asking for.

Third, even conceding all of the upward adjustments that the John F. Brown Company made to AMB's proposed rent to ride at comparative rents are appropriate ... and as we outline in yesterday's letter, we actually think that all these are not appropriate ... AMB's reconciled 2002 warehouse rents are well over \$4.00 less than Airis's proposed rents. And that difference increases to well over \$6.00 and grows from there by 2009. No wonder the airlines have repeatedly voiced their support for the AMB proposal. Remember, by their own admission, Airis cannot obtain bond insurance and cannot finance the project if it is unable to achieve rents at the levels that they proposed. As we described in great detail during our presentation to the Selection Panel, not only do we believe that the level of rents required by Airis are not achievable given competition from off-Airport and other on-Airport facilities, but we also believe that rents at this level would have a very adverse impact upon San Francisco's



competitiveness.

As you will note from this slide, rents at the level required by Airis would make San Francisco uncompetitive with rents at other major West Coast airports, which we would note, by the way, all of which we own facilities at.

One of the things that you'll notice from this slide is that on-airport rents are highly correlated with off-airport rents. Once again, the Airis proposed level of rents are out of whack with the market. If on-airport rents are too high, carriers will incur the additional transportation costs and other inconveniences and locate off airport. The fact is the market simply will not bare the level of rents that Airis needs to achieve to finance this project.

And, finally, and perhaps most importantly given the current state of the Airport's and City's finances, not only does the AMB proposal provide significantly greater revenue to the City and to the Airport than the Airis proposal, but the reliability of AMB's income stream is much greater than that of Airis due to a very simple fact ... unlike Airis's proposal where percentage rent is expressed as a percent of net, neither increased construction cost, nor increased debt service, nor increased operating expenses effect the amount of percentage rent paid by AMB to the City. This is a very important point. Under the AMB proposal, AMB takes the risk of higher debt service, higher construction costs and higher operating expenses. Every dollar received by AMB counts towards the Airport's percentage rent. Under the Airis proposal, the City shares in all those risks.

In conclusion, I would just like to thank you for your time and consideration. We were founded and are headquartered in the City, and we look forward to making this project the envy of every other airport in the world.

As always, we look forward to any questions you may have.

COMMISSIONER MAZZOLA: Okay. Thank you, very much.

Okay. We're going to hear now from a representative of the John Brown Company.

MICHAEL BROWN: Good morning, Commissioners, Mr. Director, City Attorney, Jean, my name is Mike Brown, I represent the John F. Brown Company.

I guess I'd like to start, first of all, with an apology to say that there is an old expression that if I'd had more time I would have written you a shorter letter. The same would apply to the report that you received from me.

I'm here today to present a report on the review panel process and on some of the issues associated with the two proposals before the Commission today.





the issues associated with the two proposals before the Commission today.

Mr. Brown's remarks are attached. (Attachment No. 5)

COMMISSIONER MAZZOLA: Thank you, Mr. Brown. We'll have some questions for you.

COMMISSIONER STRUNSKY: We will have some questions.

COMMISSIONER MAZZOLA: Okay. Now, we have 22 speakers on this item. I'd like to ask you to keep it as short as you can. Don't be redundant. One Commissioner has to leave here shortly so we need to have a full panel here. So, let's keep this as quick as we can and say what we have to say. Thank you. We'll limit you to between a minute and two minutes. So, try to move it right along. All right?

First would be Alex Fedor. State your name and who you represent, please, Alex, for the record.

MR. ALEX FEDOR: Thank you, very much. Good morning. My name is Alex Fedor. I'm with the Airline Liaison Office which represents all of the airlines operating at San Francisco International Airport.

I'd like to read a letter into the record on behalf of the airlines. (Attachment No. 6).

COMMISSIONER MAZZOLA: Okay. Thank you.

Our next speaker would be Todd Lewis.

MR. TODD LEWIS: My name is Todd Lewis with Omega Pacific Electrical Supply and I urge the Commission today to consider awarding contracts to local San Francisco contractors. Here today I'm supporting the AMB-Swinerton team. And, it's good business to do business here in the City. And we urge you today to keep dollars local here in San Francisco.

Thank you.

COMMISSIONER MAZZOLA: Thank you, Todd.

Ingrid Merriwether.





Services and I, too, am speaking on behalf of the AMB team. Merriwether and Williams is a minority as well as a woman-owned business firm and we've been included on the team to provide insurance for the project. This is a significant and creative way to include M/WBE participation in the often forgotten area of professional services and our participation will likely equate to 1 to 2% of the total project cost.

We've had past opportunities to work with Swinerton, the project prime contractor, including the Gap headquarters project, and are currently working with them on the long awaited Bloomingdale's project.

We have a very good working relationship with the organization which has contributed to our expanded construction portfolio, including a recent award to structure the insurance program for the Muni Third Street Light Rail Project, a \$240 million project.

We've committed to working closely with AMB and Swinerton to design a project insurance structure which will maximize the contract opportunities to M/WBE and small LBE participation by eliminating the insurance obstacle much the way the Airport approached this issue for the Master Plan Project.

This will help to insure the participation goals are met from ground breaking to project completion, while protecting the collective interests of the Airport, the developer and all the contractors.

Thank you.

COMMISSIONER MAZZOLA: Thank you.

Dorothy Erickson.

MS. DOROTHY ERICKSON: Good morning. My name is Dorothy Erickson. I was a founding member of Women Construction Owners and Executives, USA and am past national president.

I am very pleased to have the honor of speaking on behalf of the AMB team and Swinerton Builders for the construction of the Airport facility.

Swinerton has been very supportive of WCOE, USA since our inception. Not only in the San Francisco area, but also in Los Angeles and Denver. They have gone above and beyond and supported not only our organization but also many of the members who, as the name states, own their own companies. They have long shown their commitment and support to the communities in which they work.

Swinerton is one of the oldest and most respected general contractors in the State of California and the United States.



We are very fortunate to have such a team be a local business whose corporate office is located right here in downtown San Francisco and whose major construction projects adorn the San Francisco city skyline.

Swinerton is known and highly respected for their commitment to minority and women owned businesses. Swinerton is one of the few general contractors who actively participates with organizations such as WCOE, USA.

Not only does Swinerton actively participate, but members receive bid opportunities and actually receive work from this firm.

Swinerton is a general contractor who insures that subcontractors and vendors are paid on time and in an equitable manner.

COMMISSIONER MAZZOLA: Try to wrap it up, please. Thank you.

MS. ERICKSON: It is our desire to see a local firm such as the AMB team and Swinerton build the West Cargo facility.

Thank you.

COMMISSIONER MAZZOLA: Thank you, very much.

Okay. If anybody has something to read, please submit it to the Secretary for the record and paraphrase it. This list grew from 22 to 28. The Commissioner has to leave. We need to respect her wishes. So, let's please do the best we can here.

Lori Hagoney.

MR. LORI HAGONEY: Hi. I'm Lori Hagoney. I am with Mission Glass Company. We are a local woman-owned business, and I would just like to show my support for the AMB team.

Thank you.

COMMISSIONER MAZZOLA: Thank you.

Jaylene Mullins.

MS. JAYLENE MULLINS: Hi. I'm Jaylene Mullins, Thunder Electric. We are a woman-owned business, and a certified DBE, and a union shop. And we are here to support the AMB team and Swinerton Builders to build the West Project.



Thank you.

COMMISSIONER MAZZOLA: Okay. Spencer from Spencer Masonry.

MR. MICHAEL SPENCER: Good morning. My name is Mike Spencer with Spencer Masonry. I'd like to support the AMB team. I've done a lot of work with Swinerton and I just want to show my opportunity of supporting them on this job site.

Thank you.

COMMISSIONER MAZZOLA: Thank you.

Kaye Stevens.

MS. KAYE STEVENS: Good morning, Commissioners. My name is Kaye Stevens and I'm Vice President of the National Association of Minority Contractors, Northern California Chapter and I'm here to support AMB and Swinerton. Swinerton has an exemplary record in utilizing local, small, minority, women-owned and disabled veteran enterprise firms. We totally support them for this project.

COMMISSIONER MAZZOLA: Thank you, very much.

Laura Luster.

MS. LAURA LUSTER: Good morning. I'm Laura Luster from Luster National Inc. and I'm here to support the Airis team. As you know, the Airis team is all about opportunity. And it is about opportunity for minority, woman-owned and local business enterprise participation.

When we received the RFP from the Airport you asked for participation in all phases of the project. And that is exactly what the Airis team responded with. We have participation in financing, participation in design and engineering, participation in construction and participation in operations.

And, again, this is a team that took this very seriously and responded completely with a very detailed business outreach plan. I urge you to support this opportunity for minority, local and women-owned businesses here. Please support the Airis team.

COMMISSIONER MAZZOLA: Thank you.



Abdel Khelifa.

MR. ABDEL KHELIFA: Hi. My name is Abdel Khelifa representing Coverall Engineering Laboratories. We are a local minority business providing geotechnical and materials testing services. We are supporting AMB team. We are currently working with some of the team members and we are familiar with the Airport. We have done a lot of work at the Airport. We are here to be part of the team as a minority local business.

Thank you.

COMMISSIONER MAZZOLA: Thank you.

Edward Gee.

MR. EDWARD GEE: My name is Edward Gee of Edward Gee and Associates. We are the architectural firm with AMB and we are responsible for assembling our own team for this project. The team that we assembled for this project is 100% MBE/WBE and located here in the City of San Francisco. My firm is also a minority firm located here in San Francisco. We have been in practice here in San Francisco for 38 years.

Dealing with the economy here in the Bay Area it is extremely important that we have AMB who is located here in San Francisco. We have Swinerton who is located here in San Francisco. And both of these, contractor and developer, are not out of state, they are here. We need their economy. We need the strong economy here in the Bay Area.

COMMISSIONER MAZZOLA: Thank you.

Daniel Seidel.

MR. DANIEL SEIDEL: I'm Daniel Seidel. I'm principal civil engineer with Olivia Chen Consultants. Olivia Chen Consultants is a woman business enterprise located here in San Francisco. We're just down the street. We have 35 professional engineers and technicians on our staff. We do a lot of work with the City and its agencies. We're delighted to be on the team with AMB and with Edward Gee and Associates because of the seamless put together of local firms, most of which we have worked with ... we've worked for AMB, we've worked for Edward Gee and many of the other firms that are on the team. But more importantly, I think, is our previous involvement in the Airport infrastructure over the past 35 years. The capstone, I think, is the recent project we completed for a complete geographic information system ... the GIS ... this a map of the whole Airport's utility system, and for that we received a statewide award as an outstanding project.





We are committed to bringing that same quality of product to this project.

Thank you, very much.

COMMISSIONER MAZZOLA: Thank you.

Harry Nakagawara.

MR. HARRY NAKAGAWARA: I'm very pleased to be here this morning. My name is Harry Nakagawara and I'm the principal with Orsee Design Associates. We have been designated as landscape architects for the AMB team. We are certified MBE company ... HRC certified. We've worked with all the team members before. We were with landscape architects on the West Field Needs Assessment and Master Plan Project. We are very excited about continuing on working on this project for the Airport.

COMMISSIONER MAZZOLA: Thank you, very much.

Faye Bernstein.

MS. FAYE BERNSTEIN: My name is Faye Bernstein. I'm owner of Faye Bernstein Associates. We are a local, woman-owned structural engineering firm. I am very proud to be on the AMB team. We worked with them on the Pier 1 project in the City and they are just absolutely an excellent developer. We've also worked at the Airport. We are the engineer of record on the ARTS Maintenance Facility, as well as working on many other structures there.

COMMISSIONER MAZZOLA: Okay. Thank you.

Kelly Macy.

MS. KELLY MACY: Morning. I'm Kelly Macy and I have a graphic communication firm here in San Francisco called Big. And I'm here in support of the AMB team, while working with Edward Gee and Associates. I'm really looking forward and very enthusiastic about this opportunity to contribute to the local economy with this entire team working on this important project.

Thank you for your consideration.

COMMISSIONER MAZZOLA: Thank you.

Shayla Davoudi



MS. SHAYLA DAVOUDI: Good morning. Shayla Davoudi. I'm the owner of Elite Reprographics. I was here last time and I testified. I am supporting AMB. I don't want to get into what everybody says about Swinerton and Walberg, but I have two comments to make ... (1) look at the history and look at the people like me and ask us if we have a history of working with Swinerton and Walberg or AMB or Airis. This is the first time I heard the name Airis. I bet many people in this room heard the name Airis for the first time.

Secondly, I know some of the corporations that they are joint venturing with Airis. Companies like me approached them and they looked at me simply and said ... you ... are you telling us you have reprographics firm. That requires big equipment.

So, picture is beautiful, but reality is something else. Swinerton has proven in this City that they are real, they are supporter, they are biggest supporter of the community for women owned and small businesses.

Thank you.

COMMISSIONER MAZZOLA: Thank you, very much.

Mike Baines.

MR. MIKE BAINES: Good morning. My name is Michael Baines of Baines and Robertson. We are general contractors, locally. Presently we are building the North Beach Hope 6 (?) project.

The opportunities that came forth with this program was with Airis because it started at the top. Airis immediately started talking about equity participation, opportunities for mentoring, opportunities for bringing local participation in the area which we have been diminished in capacity. So, it starts at the top.

We also understand that if you talk about subcontracting we want to build more general contractors in the minority community in order to hire our own. Seventy percent of the contracts that we let out go to local companies, small minority companies because of the relationships built. We all understand that the industry is relationship built. We think that Airis understood that by putting us in the prime contracting relationship with the Mortensen Company. We think they started at the top and worked their way down.

As you can see this is a diverse group that they represented. They did not come lately in the RFQ. When the RFQ came out they immediately came to the community, they started talking about participation and also negotiating. They did not come talking. They came with their pencils and their checkbooks demanding opportunities for us to be inclusive in the decision process of this deal. So, not only did we look at it from the construction, we looked at it from the investment, we looked at it from the professional services contracts so we can make an impact and have a part of the decision of this process not just



being a subcontractor, not going on bid items, but negotiating contracts and insuring that local companies have a fair shake in the pricing, in the bidding of these contracts. And we also look at the local community, i.e., we have Ella Hill Hutch people here today who would like to say one word, and we definitely, after over 25 years in this City, know what to do in the sense of putting these policies together.

So, we appreciate the opportunity. We'd like for you to really consider and vote for the Airis group because they started at the top.

Thank you, very much.

MR. ROBERT HECTOR: Hi. I'm Robert Hector and we work with the Airis group. I think enough's been said about them so we just support the group.

Thank you.

COMMISSIONER MAZZOLA: Thank you.

Fred Jordan.

MR. FRED JORDAN: Good morning, Commissioners. My name is Fred Jordan. I represent F.E. Jordan Associates. We've been the architects and engineers for practically all of the cargo facilities at San Francisco Airport in the past six years. Four positions for Fed Ex, Nippon, Korean Airlines, three positions for Japan Airlines.

We have looked at the Airis proposal. We think that from an engineering, technical and layout, the Airis proposal is superior and we would wholeheartedly ask that you support the Airis proposal.

Thank you

COMMISSIONER MAZZOLA: This is not marked ... the item ... so if you're not on Item No. 4 you can pass ... it's Sat Bhatia. Did you want Item 4. You're speaking on Item 4? You didn't mark you wanted. You're speaking on this item?

MR. SAT BHATIA: Yes.

COMMISSIONER MAZZOLA: Okay. Thank you.

MR. SAT BHATIA: My name is Sat Bhatia from Bhatia Associates. We are



electrical engineers, and local MBE firm, to provide electrical engineer services to the Bay Area architects and all the public agencies. And I'm asking for ... I'm going with AMB Properties.

Thank you.

COMMISSIONER MAZZOLA: Thank you. Also, another one not marked ... Barbara Banks. Did you want to speak on this item also?

MS. BARBARA BANKS: Hi. My name is Barbara Banks and i represent A Touch of Class Painting. We support the AMB team due to the history of Swinerton's mentoring and supporting of our small minority business and commitment to do the same in the future.

COMMISSIONER MAZZOLA: Thank you.

Bob Wong.

MR. BOB WONG: Mr. President, Commissioners, Director Martin, I'm Robert Wong of AGS. We are part of the Airis team. Many of you may know AGS. We are a consulting minority local engineer for 20 years. We get numerous awards in the City and a lot of work in the City, mainly in the Airport. We thank for the opportunities. But I want to emphasize today is the Airis team is a team of great diversity which has many local minorities like AGS in the team. We demonstrated experience with the Airport and great local experience.

Years ago, you may remember, that AGS Luster formed a joint venture with Morrison Knudsen for the North Cargo facility and shortly after the job started Morrison Knudsen walked away and AGS Luster took over the job and successfully completed the job.

AGS Luster and all the local minorities of the team members are committed to do a good job because we believe this is our City, this is our Airport. And we believe the diversity in the local participation is vital for the success of the project.

We need your vote for the Airis team.

Thank you.

COMMISSIONER MAZZOLA: Thank you.

Mimi Henderson.





MS. MIMI HENDERSON: Good morning, Commissioners. I'm Mimi Henderson, President and founder of Henderson Capital Partners. We are a WBE municipal bond underwriting firm located in the San Francisco Bay Area since 1991. We have been working with the AMB team on their bond financing proposal and we truly believe this is the only financing that can achieve the lowest cost and truly be a successful project financing.

Thank you.

COMMISSIONER MAZZOLA: Thank you.

Howard Lim.

MR. HOWARD LIM: Hi. My name is Howard Lim, part of Lim/Bryant Services in support of the AMB team and hoping to provide continuing surveying services at the Airport which we've worked at before.

Thank you.

COMMISSIONER MAZZOLA: Thank you.

Jerrica Hau

MS. JERRICA HAU: Good morning Commissioners. My name is Jerrica and I'm with the Mission Hiring Hall. We provide employment and training services to the low income job seekers of San Francisco and other communities. I'm here to give our support for AMB Property Corporation and its prime contractor, Swinerton Builders for the development of the West Field Cargo Area Redevelopment Project. This project will improve and enrich San Francisco Airport and create badly needed jobs for Bay Area residents.

Thank you.

COMMISSIONER MAZZOLA: Thank you.

Chi-Hsin Shao.

MR. CHI-HSIN SHAO: Mr. President and members of the Commission, my name is Chi-Hsin Shao, principal of CHS Consulting Group, a San Francisco-based transportation planning, engineering consulting business. And we're also certified by HRC. I am testifying today in support of Airis team.

We have been working with them on access related issue from McDonnell Road. We firmly believe that the Airis proposal is stronger, at least from a traffic



engineering perspective. It is less likely to create traffic bottlenecks and conflicts on McDonnell Road.

I urge your support for the Airis team. Thank you.

COMMISSIONER MAZZOLA: Thank you.

Derf Butler.

MR. DERF BUTLER: Commissioners, my apologies. Derf Butler. How are you doing today? I'd like to just say one thing to be real brief because you have a lot of speakers today. And the one thing is that Airis ... I'm supporting today because they came out initially and talked to the minority business community and made sure that there was equity participation at the high level of the organization and for this project. And they made sure that they came out early enough to bring on the right type of players that had the qualifications and the capacity to participate on this project. And I think the Commission knows that based on the last meeting that we came ... one side had the majority of minority participation coming out like today, and then today we come out and there seems to be a balance. I don't have to read into it and I don't think the Commission has to read into it, but the fact of the matter is that when you come out early and your inclusive in the process to make sure the participation is there that is a clear signal of how the project is going to go throughout. And I think in the City and County of San Francisco it is very important that us as minority contractors, minority professional service firms have an opportunity to sit at the table, not be called in after decisions are made.

So, I would ask this Commission today to really, really send a strong message to the rest of the community that Airis is the team to get the job done as well as the team that's going to be inclusive, seeing that minority and women owned businesses are participating at a high level.

Thank you.

COMMISSIONER MAZZOLA: Thank you. Raymond Brooks.

MR. RAYMOND BROOKS: My name is Raymond Brooks and we do mechanical engineering design. We worked on projects at the San Francisco Airport for the past 12 years, the most recent project being the GIS study where we were responsible for the distribution of aviation fuel and natural gas throughout the facility.

We've been working at the Airport long enough to know that some design requirements are written and some are not. I'm also supporting the AMB team and will be on that team working under the direction of Edward Gee, the architect. I have one distinct advantage ... my office is in San Francisco, my



home is on the Peninsula. I pass by the Airport every day and over the past 12 years, when I've been working on projects, I have taken the opportunity to look and make sure projects were going as I have indicated.

COMMISSIONER MAZZOLA: Thank you.

Okay. Derek Smith.

MR. DEREK SMITH: Good morning, Commission and Director. Derek Smith, President of Marinship Construction Services, also Vice President of the National Association of Minority Contractors. Really, I don't have to repeat myself. Derf made a lot of good points. The only other point is that Airis and the Mortensen Group came out very early and they put their commitments in writing. We have been given a written commitment to participate in this project with Airis very early on and in that process we will include a lot of the people that have stepped up before the mic and vowed that they would like to participate on this project. So, we will work with everyone in this room and feel like if Airis is given the project you will have a very multi-ethnic team and will do a very effective job.

COMMISSIONER MAZZOLA: Okay. Thank you. That was the last request we had to speak. I want to thank all the speakers for being short and to the point. And now we have it back to the Commission.

Commissioners, any questions of either presenters or of the Brown report.

COMMISSIONER CRAYTON: Call Mr. Brown back up.

COMMISSIONER MAZZOLA: Okay. Mr. Brown, they'd like to have you come back up for some questions.

MR. MICHAEL BROWN: Yes, sir.

COMMISSIONER MAZZOLA: Linda, are you ready?

COMMISSIONER CRAYTON: Yes. I'm trying to find ...

In your report dated January 24<sup>th</sup> under Construction ...

MR. BROWN: Perhaps I can help if I know what issue you're going towards.



COMMISSIONER CRAYTON: Page 8. Under "Amount of Borrowing" ... "Construction Cost Contingencies" ... can you elaborate on that first paragraph?

MR. MICHAEL BROWN: Sure. This is an attempt to have a hypothetical discussion where construction costs are soon to be equal between the two developers. And as ... it really goes to the issue of how each of the two proposers can manage the potential for construction cost overrun risk.

Because Airis, at the time that it finances, may have difficulty getting back into the market and the lender does not want to have construction cost overrun risk, there will likely be some additional contingencies that would not otherwise be in the amount of the loan, if you will, to the project company, in this case Airis, and as a consequence, you are likely to see some additional contingencies that will be built into the borrowing, causing Airis to borrow more than AMB would otherwise borrow under its approach. Because it borrows more, it has to pay more interest expense, etc. It also drives debt service and other kinds of variables, if you will, financing costs that will flow from an increased borrowing amount such as debt service reserves, and bond insurance, etc.

COMMISSIONER CRAYTON: Bottom line.

MR. MICHAEL BROWN: Bottom line is Airis has to anticipate more construction cost contingencies in its approach than AMB does.

COMMISSIONER MAZZOLA: Any other questions of Mr. Brown?

COMMISSIONER STRUNSKY: Are you done?

COMMISSIONER CRAYTON: Actually, you can go ahead. I do have some others, but go ahead.

COMMISSIONER MAZZOLA: I think Mike has questions.

COMMISSIONER STRUNSKY: Yeah, I do. Thank you for your efforts here. Just fill me in a little bit on the procedure here. When you did this report, did you submit it to staff for comments before it came to us?

MR. MICHAEL BROWN: I submitted portions to staff for their review and comment that would probably represent a very small portion of the overall report. An example might be ... there were some areas of ... let me see if I can be more specific here. I submitted some sections of the business and finance





report to staff for comment where I thought they could provide valuable comment.

COMMISSIONER STRUNSKY: I'm having a little trouble with the costs of the project that you called out on Page 3. I'm really a little puzzled about this. I went through Airis's proposal and came up with ... I don't understand how you got to \$169 million. Airis's proposal clearly, as far as I can tell, states that there costs are \$149 and if you take \$20 million and you have to affect the rental rate with \$20 million on this project, that's a significant bump that I don't understand.

MR. MICHAEL BROWN: Yeah. The numbers that you see here are not the numbers that are reflected in the proposal. They are the numbers that were presented in response to the technical data request which indicated some additional costs of financing in particular ... approximately \$20 million of additional soft costs of financing. The \$169,861,000 is the expenditure ...

Tape No. 1 ended ... second tape began.

... proposed financing plan that Airis submitted in response to the technical data request which was made on January 7. The response came back several days later.

COMMISSIONER STRUNSKY: You mean Airis revised their costs upwards of \$20 million.

MR. MICHAEL BROWN: Airis revised their soft costs, in particular. I believe their construction cost numbers remained unchanged ... and revised their soft costs upward by \$20 million to include certain things ... interrupted by Commissioner Strunsky.

COMMISSIONER STRUNSKY: So, they went from \$11 million in soft costs to \$31 million in soft costs.

MR. MICHAEL BROWN: Without having all the detail right behind me, I think that is approximately correct. Yes.

COMMISSIONER STRUNSKY: That's not what I saw. To be blunt about it.

MR. MICHAEL BROWN: Well, the source, again, for that is a financing plan which shows expenditures of money from a construction fund, which is where bond proceeds would be placed and drawn from, and that particular plan of finance will show \$169 million of expenditures from a construction fund. Now,



maybe that's not the plan that they would say is most representative of their financing plan, but I took it to be as it being the latest submittal made to the review panel.

COMMISSIONER STRUNSKY: I'd appreciate your pointing me in the direction of the where that \$169 million item comes from. When it's clear to me that they have \$149 million and you're saying \$169 ... somebody's biased here.

MR. MICHAEL BROWN: I would refer you to the letter from Airis dated January 7<sup>th</sup> ... it's actually addressed to me ... which was in response to, again, the technical data request that was submitted by the Review Panel to each of the proposers.

In response to that request Airis offers a financing plan, which in their letter they indicate as ... it's at the top of Page 2 ... I don't know if you have the documents ... I can provide them to you.

COMMISSIONERS STRUNSKY / CRAYTON: I don't have that document.

MR. MICHAEL BROWN: This document will show an expenditure from the project fund of \$169,860,000 in a letter from Airis ... in the attachments to the letter from Airis.

COMMISSIONER STRUNSKY: Attachments being created by Airis.

MR. MICHAEL BROWN: They were created by UBS/Paine Webber and transmitted by Airis. UBS/Paine Webber, I think, being the advisor to Airis on these matters.

COMMISSIONER STRUNSKY: Sort of in a similar vein, and with a smaller amount of money ... it seems to me you are assuming \$2.00 a square foot ramp rent for both proposers, in reading through the Airis proposal and AMB ... I understand the AMB proposal. In reading through the Airis proposal I thought the ramp rent was included. I didn't believe that there was any \$2.00 a square foot allocated for ramp rent.

MR. MICHAEL BROWN: You're referring to the reconciled rental rate table?

COMMISSIONER STRUNSKY: Yeah. Somewhere in there.



MR. MICHAEL BROWN: I think that is correct ...

COMMISSIONER STRUNSKY: What is correct?

MR. MICHAEL BROWN: That in the Airis pro forma we will see no revenues under a line item called "Apron Rent".

COMMISSIONER STRUNSKY: Right.

MR. MICHAEL BROWN: And, it's our understanding that any charges that might relate to ramp rent are embodied in what we've called the base rent as presented on the table on Page A26, and also restated in a letter to John Martin on the 28<sup>th</sup>.

So, the ramp rents or the ramp charges, to the extent that there are any, are incorporated into the base rent figures that you see for Airis.

COMMISSIONER STRUNSKY: I saw \$2.00 added to the base rent.

MR. MICHAEL BROWN: Well, there is ... I guess we could look at the letter to Mr. Martin dated the 28<sup>th</sup>, the second attachment, and if we trace down that table, I think it was our intent, and I believe that's what's indicated in table, that the ramp rent component is incorporated into the base rent.

COMMISSIONER STRUNSKY: So, in that you reduced Airis's proposed rent from the previous location where it shows that it was bumped up \$2.00.

MR. MICHAEL BROWN: I don't believe, to my knowledge, I don't believe we indicated that it was bumped up \$2.00.

COMMISSIONER STRUNSKY: Yes, you did.

MR. MICHAEL BROWN: We regard the ramp rent as being embodied in, or incorporated as a part of the base rent as they reported. We have added some additional charges for AMB with respect to ramp rent, and I think that is something of an open issue as to whether those should be included, but we have included them. But not for Airis.

COMMISSIONER STRUNSKY: There's a discussion about the ... and I'm not



sure you're the right one to ask here ... but since you're here, I'll ask. There is discussion about construction in and around the MPOE. The MPOE is the communications tie between the Airport and the rest of the world, really. And, although we're building another one, a back-up one, I'm not sure it's operational yet.

John, is the new MPOE operational yet.

MR. JOHN MARTIN: The new MPOE is not operating yet. Another six months or so.

COMMISSIONER STRUNSKY: I'm a little puzzled because in looking at Airis's plan I can see that they stay away from it. In looking at AMB's plan it seems to me that they build ramps and deck over our MPOE. I thought that was ... and there's about 30,000 square feet ... I thought that was prohibited by the RFP and the information that was subsequently requested and supplied.

Do you know about it? I mean if I'm asking the wrong guy here ...

MR. MICHAEL BROWN: Well, we do address it to some extent in our report. And I think in that context we do acknowledge the fact that the MPOE has been an issue and that at the time the RFP was issued in July, with a due date for proposals of October, and that on September 12<sup>th</sup> the Airport issued a response for an RFI (a Response for Information) specifically asking whether the airspace over the MPOE could be used for construction, and the instruction to the proposers at that time, which, at that time was less than 30 days before proposals were due, was that no, they could not build over that airspace. So, as it relates to the terms of the RFP and the RFI ... response to the RFI, the answer is no, you cannot build over that space. Subsequently, however, I understand that the Airport has reconsidered the matter and believes that for technical reasons you could build over it. I'm not in a position to comment one way or the other.

COMMISSIONER STRUNSKY: I understand. Two things. One, is I find it hard to believe that we would agree to allowing the parking of trucks directly over the MPOE. In this world of terrorism to park a truck which could conceivably have hidden explosives and to take out that kind of facility just really blows me away. But, was another answer issued to both proposers that said, in essence, building over the MPOE is permissible. Because this is 31,000 square feet of this project. That's 15% or so of the first phase ... first couple of phases. Did both proposers get this information?

MR. MICHAEL BROWN: To my knowledge, neither proposer has received such information. I don't know.





COMMISSIONER STRUNSKY: It looked to me like AMB has built over the MPOE and their proposal includes the 31,000 square feet of the fence line of the MPOE.

MR. MICHAEL BROWN: That's my understanding as well. It does include ...  
(interrupted by Commissioner Strunsky)

COMMISSIONER STRUNSKY: So, there proposal is non-responsive.

MR. MICHAEL BROWN: I'm not in a position to answer whether it is or is not non-responsive.

COMMISSIONER STRUNSKY: Well, who would be?

MR. MICHAEL BROWN: I can't answer that.

COMMISSIONER STRUNSKY: John, who would be responsible?

MR. JOHN MARTIN: Adrienne Go from the City Attorney's Office is probably the right person to answer that question.

COMMISSIONER STRUNSKY: I mean, 31,000 square feet in this project is a lot of square feet.

MS. ADRIENNE GO: Commissioners. I would actually need some time to take a look at the RFP. Looking at the body, clearly the answer is is that if the RFP says there is an absolute prohibition against building over the MPOE we would look at that together with the RFI and the answers at that. We would look to see and compare as against the proposal whether, in fact, the proposer submitted a responsive proposal and, if, in fact, it was technically deficient on a prohibition stated by the RFP, whether, in fact, the proposal could be considered without that element of it, or, whether, in fact, it was so integrated into the entire proposal that it could not be reformed in such a way that it could be considered in a way that is responsive to the RFP. But I don't have the specific provisions in front of me.

COMMISSIONER STRUNSKY: We've had these proposals for a long time, and I think it's surprising to me that staff hasn't realized that 31,000 square feet of this project seems, at least, to be built in a prohibited area.



MS. ADRIENNE GO: Commissioner, I don't have a legal answer to that.

COMMISSIONER STRUNSKY: I'm not sure where we can go here.

COMMISSIONER MAZZOLA: I don't know either. It would seem that they would have been declared non-responsive as soon as their thing came back if, in fact, it said you can't build over it when you let it out ... when you put the RFP out. And it came back when they were building over it ... it would seem like ... then at that point. ...

MS. ADRIENNE GO: Commissioners, I can tell you that, of course, the RFP was a voluminous document. It has a lot of requirements. In many cases, I know that at least in the RFQ stage ... I'm sorry, in the proposal stage ... at least .. I believe ... I don't know which of the proposers did discuss certain parts of their proposals that were not consistent with the RFP but, in fact, staff determined that when you take their proposals in light of the entire RFP that they could be considered in a way where certain elements of the proposal were either ignored because they were not specifically consistent with the requirements of the RFP or, in fact, they were considered to be technical corrections that are consistent with the RFP, can be negotiated.

MR. JOHN MARTIN: I was going to suggest, Commissioner Strunsky, I think you have additional questions ...

COMMISSIONER STRUNSKY: I do.

MR. JOHN MARTIN: ... if Adrienne Go and perhaps Rob Maerz, who is currently in charge of contract issues for the City ... that they convene outside of the Commission meeting room and try and see if they can answer this question in a few minutes.

COMMISSIONER MAZZOLA: Okay. Then, go on with your questioning, Mike and then maybe they'll answer that on the way back.

COMMISSIONER STRUNSKY: Mike, back to you ... in your report, and it may be there ... there is a lot of information here ... I was unable to find an analysis of what your experience and what the experience of your technical assistant was with respect to the relative experience of the two proposers. Did I miss it, or is it not there?

MR. MICHAEL BROWN: It was not included.



COMMISSIONER STRUNSKY: Why not?

MR. MICHAEL BROWN: Well, I don't know that I, as the principal drafter of this report, taking into consideration all of the technical issues confronting the preparation of this report, was also prepared to take into account that particular issue which I don't know that I would have been able to evaluate in technical terms ... but it would have been in much softer terms. And, so I'm unable to comment upon their relative experience and how that experience may or may not be relevant to your particular situation here.

COMMISSIONER STRUNSKY: Well, we have to make a choice.

MR. MICHAEL BROWN: Yes, you do.

COMMISSIONER STRUNSKY: We can add up square footage and numbers and all those things, but one of the important things is that we get some idea from an expert ... get some idea of where these firms fall with respect to experience, background capability. And, we're dealing with a rather specialized issue here. I heard, for example, that you're a little bit concerned about AMB's diagonal parking of the aircraft.

MR. MICHAEL BROWN: The technical advisor is.

COMMISSIONER STRUNSKY: And, whether that's the most efficient way to load on and off load cargo. And what we have to do is make a decision here and it would seem to me that to some extent that decision would be based upon who brings the most to the table. Not just in financing and other things, but in having done it before. I don't know where we'd go except to you. Isn't that within the scope of the work you contracted with the Airport for? To help us make a decision?

MR. MICHAEL BROWN: Yes. I think it is fair to say that we're to help you make a decision. I am here to say to you that I personally have not undertaken any kind of a comparative evaluation of the relative experience of the two proposers in order to come today in front of you and offer some relative merits, if you will, of the two. I'm not prepared to do that.

COMMISSIONER STRUNSKY: So you're leaving it in our lap.

MR. MICHAEL BROWN: With respect to the question of experience, I must say I am because I'm not prepared to answer that question.



COMMISSIONER STRUNSKY: I have some questions of your technical representative. Whether ... how are we going to deal with Commissioner Crayton's need to go?

COMMISSIONER CRAYTON: I just spoke to them.

COMMISSIONER MAZZOLA: Well, in light of us trying to get an answer about whether you can build over or not, we may not be able to make a decision today if they don't have an answer on that. I don't know, Linda, if you can't stay ...

COMMISSIONER CRAYTON: No. I'm allowing Commissioner Strunsky ... because I have some additional questions.

COMMISSIONER STRUNSKY: Could we talk with Dan Muscatello.

Thank you for coming. I assume you've read all of the January 24<sup>th</sup> report, the January 28<sup>th</sup> amendment letter and so forth.

MR. DAN MUSCATELLO: I've read most of it. Some of it, for reasons of, I think, maintaining objectivity in the process, I was not privy to. And I'd just like to point out one thing that you alluded to earlier is that the qualifications of the developers were covered in the RFQ process, and we were involved in the RFP process so therefore, we didn't review in detail the qualifications of the developers.

COMMISSIONER STRUNSKY: Does that mean that, as far as you're concerned, both developers walked in tied at the beginning? That they both had equivalent backgrounds and experience and capabilities, and knowledge and contacts?

MR. DAN MUSCATELLO: I believe that the determination made by the Review Panel initially was that the developers were qualified to proceed to step two, which was the RFP process.

COMMISSIONER STRUNSKY: But not necessarily equal.

MR. DAN MUSCATELLO: That was not discussed with me, Commissioner.

COMMISSIONER STRUNSKY: Were there any parts of the report that you were privy to that you don't agree with?





MR. DAN MUSCATELLO: No. I think the report accurately reflects the thinking of the firm. I was involved specifically in the Operations and Development area. So, if you went back to the initial start of this process there were seven goals involved and I guess I was involved in about three and a half of them ... to create an air cargo complex that upgrades and modernizes the site while maintaining it as a secure site, provide at least 300,000 square feet of cargo space, accommodate the operating needs of existing tenants ... I won't talk to cost effective, but in an efficient manner, and then optimize use of the land envelope. And those were the areas of the goals of this project with which I'm probably most familiar.

I'm not qualified to comment on any of the financial aspects.

COMMISSIONER STRUNSKY: Does the AMB proposal fit on the site?

MR. DAN MUSCATELLO: I think there are some issues with that in my own mind. We did not have detailed engineering studies. I did some examination of the site plans that were submitted, but only using the rough scale that was presented in the drawings. Based on that, I think it's very difficult to see how the AMB project would fit on the site. But, again, this is an opinion from me, not a recommendation. And it's based on a casual observation ... well, I shouldn't say casual, but an observation of the materials presented rather than a detailed engineering study, which probably should be taken underway before any kind of final determination is made.

COMMISSIONER STRUNSKY: Well, recognizing that this Commission is only going to authorize exclusive negotiations, and that if those negotiations fall apart it comes back to the Commission. We have to make a decision based on what's available to us. Your opinion about that is very important.

MR. DAN MUSCATELLO: My opinion is that there are some constraints on the airside, which depending upon how the aircraft are angled, may prevent three aircraft from fitting in the land envelope as laid out.

COMMISSIONER STRUNSKY: Can you help a little bit with this MPOE situation?

MR. DAN MUSCATELLO: I can help a little, Commissioner. Initially, and I'm going back to the original discussions when the developers were brought in for a general briefing on the project. And at that time it was, I think, made clear that the MPOE was an issue. It was raised by one of the developers not here in this room now, and the response was that the Airport wished to intend to protect the MPOE. I believe the airspace issue was discussed and that it was supposed to be maintained clearly.



I got a call in early September from one of the developers involved in the process who indicated that they had some concerns about this issue and could we get a clarification. And they went back. I advised the Airport of this and the Airport then got back to the developer. I'm not familiar with what was said back to the developer at this point in time. It was my understanding that once the RFPs were submitted and accepted that that issue had been resolved.

COMMISSIONER STRUNSKY: But, as far as you know, am I right in the observation that the Airis proposal does not build anything within the fence line but the AMB proposal utilizes the 31,000 square feet on the second level?

MR. DAN MUSCATELLO: I don't know specifically about the fence line, Commissioner, but I know that they do not intrude in the airspace over the MPOE. The AMB proposal allows for, I believe ... spacially, I'd have to go back and look but I believe some of the truck roadway up above does intrude on that airspace in the AMB proposal.

COMMISSIONER STRUNSKY: And some parking?

MR. DAN MUSCATELLO: Arguably, yes. I'd have to, as I say, look at it to determine what exactly was above it.

COMMISSIONER STRUNSKY: Can you tell us a little bit on security? What I'm hearing is that there is significantly more personal inspection gate operators in the Airis proposal. Security is something we have to be super sensitive to.

MR. DAN MUSCATELLO: Well, I think there is a common misconception today that all of the emphasis in development has to go on anti-terrorism. A large percentage of any cargo development has to focus on anti-theft because it has severe implications for the industry if you have high levels of theft. Coming out of a background of Kennedy Airport, I'm particularly sensitive to that.

The Airis proposal does include more technology. It indicates so in their proposal. They propose a centralized approach with a CCTV system and manned access points, or actually, manned access point and manned egress points from the terminal.

I think from the anti-theft perspective that's very important. I think most of the larger terminals that I see today are being constructed in that way. But, understand too, that a lot of the constraints that this Airport faces are geographic, and so you must strike a balance between what you can put into the site and what the industry would require. For instance, an industry might say, well, the building should be 200 feet deep. But, if you're only going to fit a 150 foot building on the site, that does not mean that you shouldn't build the



building. So, you have to be able to accommodate access and security within the site envelope.

COMMISSIONER STRUNKSY: Thank you.

COMMISSIONER ITO: I would just like your opinion in terms of ... we've been talking about the security plans between the two proposals and, in terms of security versus functionality for the cargo to come in and out, in terms of the ingress and egress. What is your opinion in terms of balancing those needs and whether a single entrance versus the multi-entrances in the AMB proposal would present.

MR. DAN MUSCATELLO: I can give you my opinion as opposed to a recommendation on this. My opinion is that access should be controlled as much as possible. Again, this relates back to the land envelope. Some recent facilities were built at some very large airports where they don't have the ability to put in these kinds of security functions and so you have to come up with trade-offs. Nonetheless, given the land envelope and the ability to monitor access as much as possible, I would opt in favor of that.

COMMISSIONER ITO: But, wouldn't infringe so much in terms of the operations.

MR. DAN MUSCATELLO: And, I think you have to be careful. You can over control something. I don't think you can be too sensitive to cargo, particularly these days, both because of theft and anti-terrorism. But, I think part of the issues of access and traffic engineering, I think one of the speakers alluded to that, in many case, if there's room in a roadway you can put in a turn lane and that will mitigate against any kind of traffic flows exterior coming into the terminal. That, I think, is important. But, I also think that it's important, if you're going into a terminal facility that you have a manned gate. If you have that manned gate, because, quite frankly, you'll have truckers coming from as far away ... I know for a fact that people truck cargo to this airport from Denver ... if someone comes in on an unscheduled basis and they're not tracked and they have to get into that facility, they need to know where they're going, they need to have a truck bay to be assigned to, and, probably you need someone to take a look at that truck and make sure that you have the right driver with the right truck coming into this facility.

COMMISSIONER ITO: Thank you.

COMMISSIONER MAZZOLA: Okay, Adrienne, do you have an answer for us?



MS. ADRIENNE GO: I do, Commissioners.

I have looked at the relevant sections of the proposal, which is actually specified in the RFI, which is a request for information issued in response to a request from one of the proposers ... it was issued by the Airport on September 12 ... and the question was, basically, can we build over the MPOE?

The Airport has clearly provided that the MPOE is an essential facility and that the development will not be allowed into the air rights as established by the fence line. In other words, you can't build over the MPOE.

I have looked at the relevant sections of the AMB proposal, to the extent time allowed, of course, and my conclusion is that when you look at the paragraph as a whole in the AMB proposal that the concept of building over the MPOE is an alternative structure, it is not a part of their plan that could be unsevered ... so, in other words, they basically say we believe we have a strong technical response to the concerns you have regarding the protection of that facility ... we think we have a good technical solution to it as an alternate scheme with or without the built over the MPOE. They do recognize in their proposal that 31,000 square feet would be the differential.

So, from a legal perspective, I do not believe that the concept of building over the MPOE makes this proposal non-responsive.

COMMISSIONER MAZZOLA: Okay. Thank you.

COMMISSIONER STRUNSKY: But, let me understand. You have 31,000 square feet in this project ... well better than 10% of the size of the project, that is included in all of the calculations ... included in the rental calculations ... that AMB has shown in the drawing I saw as best I could ... it seems to me that not only are ramps but there's also a parking deck over ... inside the fence line. How can we evaluate when this is 31,000 square feet out of whack?

MR. JOHN MARTIN: I think that's a question for Mr. Brown rather than for Adrienne Go.

MR. MICHAEL BROWN: If you could repeat the question, please.

COMMISSIONER MAZZOLA: Wait. Before you go. Adrienne, what you're saying than is that this is subject to negotiation ... that this is an alternative, and, if they got to the negotiation portion, this would be subject to negotiation if the Airport would continue to let them do that or not. Mr. Brown, or somebody, stated that it was said later that you can build over it. It was said by somebody; we don't know who.







MS. ADRIENNE GO: Commissioner, as a legal matter there would certainly be no prohibition about negotiating this further during the negotiation period.

COMMISSIONER STRUNSKY: Yeah, but we're being asked to make a decision based on wrong numbers.

COMMISSIONER MAZZOLA: That's another question. Did you want to answer his question ... whether the 31,000 square feet takes everything out of whack in the proposal?

MR. MICHAEL BROWN: I guess it depends on the frame that you are using to ask the question. We offered an approach to issues that was premised, I think, largely on what we understood to be the pragmatic realities of this development. And, if the pragmatic realities of this development were such that the developer would be able to build over the MPOE, in this case AMB, and thus that 31,000 square feet was available as part of its financing plan, etc. and revenue stream, hence we factored it in. That was an explicit judgment that I made as part of our analysis. Would the analysis be different without that 31,000 square feet ... yes, it would be different. I can't answer right now the extent to which it would be different, but it would be different.

COMMISSIONER STRUNSKY: Let me ask you another question and possibly, the City Attorney can help. There was an implication in this discussion that somebody from the Airport told AMB that it was okay to do this. I clearly heard that.

MR. JOHN MARTIN: No, no. That isn't what I heard. What I heard ...  
(interrupted by Commissioner Strunsky)

COMMISSIONER STRUNSKY: The formal response to the RFI was no you can't build. Then, subsequently somebody said we've reevaluated and, so, AMB did that. That's what I heard. Maybe I heard wrong.

MR. MICHAEL BROWN: I offered up that bid of chronology. And I think I may have ... what you just played back to me is I don't think consistent with what I said.

In September, one month before the proposals were due, the Airport responded to an RFI that said you cannot build over the air space. Obviously, most of the design was already completed by that point in time ... (interrupted by Commissioner Strunsky)



COMMISSIONER STRUNSKY: Yes, but the original said no building over the air space so the RFI ... the original proposal said ... (interrupted by Mr. Brown)

MR. MICHAEL BROWN: I don't believe that's true. I don't believe the original proposal ... I believe it was silent on the question of whether you could or could not build over the MPOE.

COMMISSIONER MAZZOLA: One question ... you chaired the Panel.

MR. MICHAEL BROWN: Yes sir.

COMMISSIONER MAZZOLA: During the Panel discussions, was this subject brought up?

MR. MICHAEL BROWN: My recollection is that it was not ... it may have been the subject but I don't believe that it was a critical factor in anybody's decision making as it related to development.

COMMISSIONER MAZZOLA: And it's important to me to know, maybe from someone from AMB, who told you, ...

COMMISSIONER CRAYTON: Yes.

COMMISSIONER MAZZOLA: ... or how did you hear that the Airport has reconsidered the fact that you could build over this ... if it said originally you cannot.

MR. DAVID FRIES: The fact as stated by Mr. Brown are consistent with my recollection. That is, we designed our plan and RFI No. 5 came out which indicated that the MPOE fence line should not be violated. We then went back, although we were substantially done with our design, had gone back and had submitted as part of our proposal an alternative that did not have us encroach on the MPOE. That removed about 30,000 square feet, or about 4% of our total project. Thirty thousand over 800,000 ...about 4%.

The first time ... and let me ask John as well ... the first time I ever heard that the Airport was reconsidering this was in the Mike Brown Report, which I think I read for the first time last Friday night ... where in the Mike Brown Report he indicated that the Airport perhaps had reconsidered this issue. But that never was part of our plan. As far as I'm aware, we never heard prior to that date that the Airport had reconsidered.



COMMISSIONER STRUNSKY: So, you're not building over the MPOE?

MR. DAVID FRIES: Our original plan that we submitted had us building approximately 30,000 square feet over the MPOE. As part of the RFP response ... when we heard very shortly before the deadline, we took out about 30,000 square feet.

I would also like to note that the RFI No. 5, which said that a proposal can not go over the fence, that the Airis proposal, while it may not go over the building, also goes over the fence line. And that we've stated on the record in two letters.

COMMISSIONER MAZZOLA: All right. You made a proposal that included it, and then you made another proposal that excluded it.

MR. DAVID FRIES: We did that as part of our RFP. We made our submittal. We included a drawing that shows what would be the effect if we were forced to exclude any infringement over the fence line of the MPOE.

COMMISSIONER STRUNSKY: So, the numbers, the rental numbers and everything else that we're dealing with ... do they include this 31,000 square feet or exclude the 31,000?

MR. DAVID FRIES: They include that roughly 4% of the project.

COMMISSIONER STRUNSKY: Four percent of the end of the project.

MR. DAVID FRIES: Four percent of the project. Yes.

COMMISSIONER STRUNSKY: But, a larger percentage of the first two phases.

MR. DAVID FRIES: Yes. It would be roughly six or seven percent of the first two phases.

MR. JOHN MARTIN: Commissioners, if you want to hear from Ernie Eavis, Deputy Director for Facilities Operations and Maintenance on this issue. Apparently, staff had not thought about building over the MPOE and then, subsequently, when we received the AMB proposal Ernie Eavis and his staff looked at that. If you want to hear from him on his assessment of that.



MR. ROBERT MCCARTHY: Robert McCarthy on behalf of Airis. I want to just address this issue. The notion that the staff never thought about building over it is contradicted by Ms. Go's testimony. She said an RFI was issued by the staff in response to a request not by some guy but by John Meyer of AMB. And what did they say ... you can't build over the MPOE. So, how can staff sit here today and say they never considered it when the question was raised by AMB and the staff specifically responded on September 12 and said you can't build over the MPOE.

MR. JOHN MARTIN: I apologize Mr. McCarthy. I must have misunderstood Ms. Go. I thought that's what she had just said. That's what I was relying upon, was her statement.

MR. ROBERT MCCARTHY: Well, Mr. Martin, this is your staff that sent an RFI.

MR. JOHN MARTIN: Mr. McCarthy, I'm saying that the statement that I just made was based on what I understood Ms. Go to say. If I said it improperly, I apologize to you.

COMMISSIONER MAZZOLA: All right, Bob. We're going to here from Ernie Eavis. Ernie, you want to ... We're so confused now, you might as well help us out.

COMMISSIONER CRAYTON: I'm very confused.

COMMISSIONER STRUNSKY: I certainly hope we're not building over the MPOE.

MR. ERNIE EAVIS: Building over the MPOE would not affect the operation of the MPOE. If you're worried about ... we've never been asked, from an engineering standpoint, whether you can go and build over the MPOE. From an engineering standpoint it is perfectly logical to build over that space if you need to build over that space. When we originally started this project I had asked if we were going to have to move the MPOE as part of this project because it was in the footprint of the whole cargo area there. We were told, no, it would be built around the MPOE. But could it be built over the MPOE? It could be built over the MPOE, or the MPOE can be moved. It's a rather small building. The footprint there is mostly for parking, but the building itself is about the size of this room. So, it's really not a major concern from an engineering standpoint.

COMMISSIONER CRAYTON: I just want to ask you one question. I just want





to jump in here real quick to see if I can get a clear understanding. I just want it real low level. Am I to understand ... I'm just trying to get consensus as to what we understand ... a simple question ... at the very beginning where everybody understood when they were doing their proposals ... can we building over the MPOE? Is the answer no?

MR. ERNIE EAVIS: Was that asked of me?

COMMISSIONER CRAYTON: It's asked of you. You're the staff.

MR. ERNIE EAVIS: I've never been asked as part of this project ...(interrupted by Commissioner Crayton)

COMMISSIONER CRAYTON: What is your understanding?

MR. ERNIE EAVIS: My understanding is that we can build over the MPOE.

COMMISSIONER CRAYTON: So, you're saying yes.

MR. ERNIE EAVIS: Yes. I think we can build over the MPOE.

COMMISSIONER STRUNSKY: Then, what was the reply to the RFI? What did that mean?

MR. ERNIE EAVIS: I didn't make the reply to the RFI.

COMMISSIONER STRUNSKY: Well, somebody did. Somebody from staff did.

MR. ERNIE EAVIS: I'm just saying it wasn't me. I don't know who it was.

COMMISSIONER CRAYTON: Gary, can you come, please. I'm sorry, Ernie. I'm sorry. That question wasn't for you. Thank you.

MR. GARY FRANZELLA: Good morning, Commissioners. My team was tasked with ... on-Airport staff ... with fielding RFIs, which we obviously anticipated as part of this process, and to have a process for receiving those,



identifying and replying to them in a fair and equitable manner to both proposers.

We received a request for information from Mr. Meyer that had six questions associated with it. And question No. 3 was worded ... (interrupted by Commissioner Crayton)

COMMISSIONER CRAYTON: What is the date of that?

MR. GARY FRANZELLA: It's dated September 12<sup>th</sup> ... that's the date of the answer. I have the data, but not with me, I apologize, as to the exact date of when we received the inquiry.

On September 12, 2002 the question was asked ... one of six questions in this particular RFI ... and, I think during the process we received about a dozen RFIs ... more or less a dozen of these types of requests for information ... Question 3 was, does developer have air rights over MPOE No. 620 building?

The RFP said, basically, you can't encroach on the MPOE fence line site. When we wrote the RFP none of us contemplated a two tiered structure. We were a bit surprised by this inquiry when we received it months later. And our response was "... building 620 is an essential use facility. West Field Cargo Area development will not be allowed beyond the existing fence line to building 620 (which is what the RFP had said) nor into the air rights established by that fence line."

When it became clear to us in the AMB response that this late in the game ... 28 days before the proposal deadlines, they got caught in having made some design assumptions, we evaluated what they submitted and what they acknowledged in their submittal that their original design had gone over the air rights, they acknowledged that that was contrary to the response and, as part of their proposal submittal said we still believe we could do that and protect your interests on the MPOE, but if your answer to the question remained unchanged this is what we would do, this is how we would carve out the upper ramp so that we did not intrude on the air rights.

I had a conversation with Mr. Eavis, our engineering group, because I realized that my staff, in answering this question, had only inquired with our ITT staff. From my perspective, our goal on not intruding onto the MPOE was preferably not to add the cost of moving it and to protect it because it is, as this Commission well knows, the minimum point of entry for communications.

In my conversations with Mr. Eavis, I received a response similar to what you did today. Building over the top of it would not necessarily put the building at greater risk, in fact, it could insulate it in terms of a blast, etc. So, in my mind it became a topic that would need further discussion.

What's at issue, clearly, is 31,250 square feet of should it be considered as part



of the proposal in the evaluative process or not.

I hope that helps clarify.

COMMISSIONER STRUNSKY: Was information transmitted to both proposers that maybe it would be all right to build over the MPOE.

MR. GARY FRANZELLA: No such communication was made.

COMMISSIONER STRUNSKY: So, wouldn't it be better for the AMB proposal or the Airis proposal, if they encroached, to make their proposal without the 31,000 square feet and then say, but if we were allowed to build over the MPOE we can provide 31,000 square feet of second floor space more and our average rental rate will be effective one way or the other. It seems to me that they're proposing only with the 31,000 square feet, not without it.

MR. GARY FRANZELLA: Their proposal submittal included a technical solution to adhering to the answer. Their pro forma included the square footage, but in calling out their technical solution of not going over the air space, they specifically called out the square footage that would be impacted. The square footage that was impacted was in their pro forma as total square footage.

COMMISSIONER MAZZOLA: All right. That's as clear mud. We got that straightened out. Any more questions?

COMMISSIONER STRUNSKY: I wondered if Monique Moyer is here.

Could we?

First of all, thank you very much for coming. You've been billed as truly knowledgeable and expert in the arena of finance and so forth, and I know you were involved in the discussions on the 7<sup>th</sup> of January. Could you ...  
(interrupted by Commissioner Mazzola)

COMMISSIONER MAZZOLA: I'm sorry. I don't know who this lady is. So, help me out. Were you a panelist of any kind on this.

MS. MONIQUE MOYER: No. Good morning, Commissioners. Monique Moyer from the Mayor's Office of Public Finance. I was asked to look at the proposals as a technical advisor, and I did attend the interviews on January 7<sup>th</sup>.



I did not score in any way.

COMMISSIONER MAZZOLA: You were an observer in the interviews. Okay.

MS. MONIQUE MOYER: Yes. And I was permitted to ask questions relating to the financing proposals.

COMMISSIONER MAZZOLA: And you sat only through both of the finance section, or you sat through the whole ...

MS. MONIQUE MOYER: I sat through the whole ... it was a 10 hour event and I sat through the entire thing.

COMMISSIONER MAZZOLA: Yo drew the short straw.

MS. MONIQUE MOYER: I did. I do what I'm asked.

COMMISSIONER MAZZOLA: Okay. I know who you are now. Anybody else have any questions?

COMMISSIONER STRUNSKY: Yes. I guess I need to approach this on sort of an overall basis because it's very difficult for me to understand. It's not an arena of expertise of mine.

Can you give us sort of an overview of which financial package you feel is best?

MS. MONIQUE MOYER: I do not have preference for either of the financial packages. The best that I can tell you right now ... (tape went from Side A to Side B)

... appears to what the financings will be. We don't have weights and measures. We have a blue print as to what they might be, but clearly there are benefits and weaknesses to both of them which should and could be resolved in a negotiated process. So, to elaborate, it's not for me to say whether or not the letter of credit financing proposed by AMB, which appears to only be provided for phases one and two, is sufficient for phases three and four. That would be something we would ferret out in the negotiation.

It's not for me to say whether or not the benefit of having a letter of credit financing is worth having eight years of construction and twelve years of





capitalized interest as part of the program. I think that that is a business decision that the Commission should make.

On the other hand, I think that their project financing brings with it certain risks. They will both ultimately be project financings, and in terms of the written proposals the crossover date in the AMB proposal is three years hence. So, there are risks imperative in both of those scenarios.

The City does both types of financings. We have done letter of credit back financings and we have done project financings. I think it's difficult today to say what the interest rates would be, whether not, in fact, either of the transactions would be issued as short term bonds or synthetic short term bonds. We won't know that until we conclude negotiations.

I'm not in a position to prognosticate as to where the market is going to go. I think we're in an interest rate environment that isn't sustainable, but we've been here a while, so how do I know.

So, I don't know that I can be all that helpful to you today. I would note that the letter of credit proposal is a letter of interest. The bond insurance proposal is equally a letter of interest. They both have credit issues to pursue. They both have asked for changes to the ground lease and the documentation to accommodate the financings, but we don't know what those changes are going to be. So, what I would ask you to consider ... I know that you are asked to authorize staff to enter exclusive negotiations with one firm, but I think it the best value to the City is that there is always a second firm waiting in the wings, whomever that firm may be, because the items that we have yet to negotiate are very significant to the outcome of this project.

How was that for helpful? I'm sorry.

COMMISSIONER MAZZOLA: I think a motion to adjourn is always in order.

COMMISSIONER STRUNSKY: Thank you.

COMMISSIONER ITO: Ms. Moyer, thanks for being here and participating. Essentially, what I'd like is your opinion in terms of bottom line risk to the City, if, going forward, one or the other should not be able to complete construction, what would we be left with?

MS. MONIQUE MOYER: Well, I think that in the Airis proposal ... I don't foresee in either scenario that the City would ever sign a ground lease without having the financings in place. So, the letter of interest from the credit enhancers, be it the letter of credit or the bond insurance, will have to have gone through their approval processes and we would know. So, I think that we



are at greatest risk right now ... between now and the time that we sign the ground lease.

With the Airis proposal, their proposal is that they will build the facility in the near term and they will occupy the facility in the near term and that eliminates some of the other risk. In the AMB proposal, it takes approximately eight years for construction to be completed and therefore, all of the lease are apt to be impacted.

Right now, if you look at the comparisons that the John H. Brown Company provided you for the numbers, they're relatively close. In a net present value basis it's about a 10% difference. Just in the conversation that you just had, that conversation could change the equation on an NPV basis by about somewhere between \$1 million and \$1.5 million, back of the envelope, off the top of my head. So, there's a lot of swings that are going to happen in those numbers. Again, there's nothing certain about those numbers; it's just an outline of where were going to go.

I think that the City, in either event, will have to know who the tenants are going to be. We'll have to have some certainty before we execute that ground lease. I don't think the letter of credit, by definition, would persuade the City that we should proceed on a speculative basis.

COMMISSIONER MAZZOLA: All right. Any other questions of any presenters, or staff? Okay. Here we are.

COMMISSIONER STRUNSKY: I would like to make a motion.

I move that the Commission authorize staff to enter into exclusive negotiations with Airis to provide the West Field Cargo Development, and, if those negotiations fall apart for any reason, to return to the Commission.

COMMISSIONER MAZZOLA: Is there a second to that motion?

COMMISSIONER ITO: I second that.

COMMISSIONER MAZZOLA: Okay. On the question, is there anybody who wants to speak to the question?

I'll speak to the question.

COMMISSIONER CRAYTON: I will, too.



COMMISSIONER MAZZOLA: I'm very pleased to see we have two good proposers, and I think they really are as close as the Panel showed the second time. I think they are both worthy of doing the job. I'm sorry they didn't go to a bar somewhere and make a partnership and roll the dice and see who could do it. It's a very hard decision for us to make here. We've had a lot of testimony over a lot of months. I, for one, am going to vote against this proposal, against this motion of Mikes. I feel that we charged a Panel, a Panel of experts on two occasions to look this over and I'm going to rely on the Panel and go with the recommendation of the Panel.

COMMISSIONER ITO: I'd like to comment, too, also in terms of my supporting Commissioner Strunsky's position. And, I want to thank both teams. I know that we've gone through many hours of understanding what you're here to offer. And, I respect all the work and the time and our staff's time and expertise in this.

However, after pouring through much of this in the last almost month and a half and, to date, as late as last evening as well, I find that in conclusion, my findings in favor of Airis are essentially the strength of their on-site, on-tarmac development team. Their experience, their oversight management of those projects that they've been involved in. And that, in a sense, balances some of the unknowns in terms of the financing approach and differences that have been brought closer together with some of the Q&A and the explanations and the research we have been privy to today and from of the previous meetings.

And I feel that experience and the ability for them to parlay that experience, to bring those leaseholders to fruition is critical for this project to go forward and, I also believe that some of the important features and the costs included in their proposal with regards to the security plan is critical. I know that we need some flexibility there, and I think that's an area of negotiation in terms of the mandates from the TSA and various legislative pieces that are in process as we speak.

I also believe that in terms of the functionality of the building and the concerns about cargo being brought in and out and the security balance is very important ... I think it's in favor of Airis's proposal and what I've heard today.

I also believe, just overall, that with the questions that were raised ... and I believe that it was clarified about the MPOE intrusion ... the inclusion of the 31,000 square feet of the facility within the revenue stream raises some questions. I know today it was noted that there were some more positive revenue expectations from the AMB proposal, however, factoring out the 31,000, I think, impacts the bottom line here.

And so, those are, I believe, the findings that I am comfortable with. And I want to thank everybody for your patience with this.



COMMISSIONER CRAYTON: I also want to comment on the West Field Cargo Project.

I think I've learned more about this than I've ever learned about anything else at the Airport, and a lot more than I wanted to learn. Actually, it's been good.

I want to first applaud both AMB and Airis on their proposals ... the creativity, the innovation that was presented in the proposals to the Commission. I want to applaud the staff. I want to applaud all of those consultants and others that worked with staff to develop it and bring it to this point.

San Francisco International Airport is on a cutting edge here and we're doing some new things. This is a new venture. This is uncharted waters for the San Francisco International Airport and because ... of course, San Francisco is a different arm. I think that there are often times when you look at things you need to step out of the box and see how can we do something creative that we, ourselves at the Airport, hadn't even thought about. And, we welcomed two absolutely phenomenal companies. They competed fairly ... the first go-around. We had lots of questions. I reviewed all of those questions, the answers that were given, and all of that documentation. Good bedtime reading. I recommend it to you. And, I, you know, had some questions.

I read Mr. Brown's report. His report went ... his report was very lengthy ... and several iterations of that report ... and what I heard in answer to some of my questions, were, you know, there were some issues brought up on one side and then he would answer it on the other side. And, so each time, as I continued to read and I heard answers here, I said, oh, this is interesting and this is close. And, so as I began to look at the utilization of the site, you know, the business development piece of it, the operations, the business, and the financing, and the various people that came and all of them were excellent. I thought this is a difficult decision.

And, you know, I really wanted to be able to look at it in a way that we've never looked at it at the Airport before. Weighing all of the information that had been presented to me, and having done that, with some new information that was presented today, I clearly must say, without any lessness to the person that I feel may possibly not win the bid, I'm going to state that I'm going to lean toward Airis in terms of my support. I believe that they can give us what we need. I believe AMB and Airis have wonderful MBE participation, but I am going to unequivocally state that I am going to be supporting Airis because of the innovativeness that I've seen in terms of the way they're going to deliver this to the City, and also the security reasons of which I am very concerned.

Thank you.

COMMISSIONER STRUNSKY: One last thing, Commissioner Mazzola, before we proceed. Obviously, my motion is based upon a whole series of evaluations on my part. I think, technically, they would be called findings and those I will







define to John Martin's Office.

COMMISSIONER MAZZOLA: Okay. Let's call the roll and get it done.

COMMISSION SECRETARY: Commissioner Mazzola.

COMMISSIONER MAZZOLA: No.

COMMISSION SECRETARY: Commissioner Strunsky.

COMMISSIONER STRUNSKY: Yes.

COMMISSION SECRETARY: Commissioner Crayton.

COMMISSIONER CRAYTON: Yes

COMMISSION SECRETARY: Commissioner Ito.

COMMISSIONER ITO: Yes.

COMMISSIONER MAZZOLA: Okay. The item passes in favor of Airis, and I want to congratulate you for that. I think, maybe, you may rue the day we helped you because Aaron Peskin goes the opposite way of us.

We're going to take a five minute break.

\* \* \*

F. POLICY:

Item No. 2 was removed from the calendar.

2. Authorization for Airport Director to Award Professional Services Contracts Up to \$100,000

Resolution raising the awarding authority of the Airport Director for professional services contracts from \$50,000 to \$100,000, to be consistent with the Administrative Code.



Item No. 3 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous,

3. Recission of Resolution No. 79-0005 (Selection of Architects) and Amend Construction Contract Policy and Procedures to be Consistent with Existing Practices and Legal Requirements

No. 03-0009                      Resolutions (1) Rescinding Resolution No. 79-0005 setting forth outdated policy and procedures for selection of architects; and, (2) Amend construction contract policy and procedures to be consistent with existing practices and legal requirements.

Item No. 5 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

5. Award of Contract No. 3577B - Sanitary Sewer and Storm Drain Systems SCADA Installation - Bass Electric - \$1,167,731

No. 03-0011                      Resolution awarding Contract No. 3577B, Sanitary Sewer and Storm Drain Systems SCADA Installation, to the lowest responsive, responsible bidder, Bass Electric in the amount of \$1,167,731.

Mr. Eavis said that the SCADA (Supervisor Control and Data Acquisition) system will wire up the 70+ pump stations at the Airport, bring them to the Sewage Treatment Plant and the Engineering Building. This will preclude staff from going out and physically inspecting the pump station. It will determine if flows are adequate and will identify areas of flooding. At this point staff must go out and physically inspect each one.

HSQ Technology submitted the low bid, but HRC found that they failed to meet the MBW/WBE contracting goal. Bass Electric is the apparent low bidder.

Mr. Robert Osier, attorney with Roberts, Joseph, O'Donnell and Phillips, spoke on behalf of Bass Electric.

Item No. 6 was moved by Commissioner Ito and seconded by Commissioner Strunsky. The vote to approve was unanimous.

6. Proposed FY 2003/04 Budget in the Maximum Not-to-Exceed Amount of \$597.1Million

No. 03-0012                      Resolution approving the proposed Airport budget for Fiscal Year 2003/04 in the maximum



not-to-exceed amount of \$597.1 million.

Mr. Leo Fermin, Acting Deputy Director, Business and Finance explained that the Commission has before it the proposed Fiscal Year 2003/2004 operating budget for a total amount of \$597.1 million. This represents a 5% or \$26.6 million increase over this years budget.

The increase in the budget is due primarily to the scheduled coming on line of debt service after completion of the Master Plan, which accounts for \$12.2 million, and the cost of operating the AirTrain system, at approximately \$7.7 million.

Without these two major areas of increase, the operating budget would have increased by 1.2% instead of 5%.

The budget also includes \$2 million of new funding for facilities maintenance work throughout the Airport.

We are also requesting that the Commission approve four capital projects totaling \$57.6 million, shown in Attachment B. Three of these projects are security, safety and telecommunications infrastructure work. The fourth project is the redevelopment of the domestic terminals core space for the food and beverage program

Finally, the resolution also approves next years budget for the Airfield Development Bureau in the amount of \$13.2 million.

Commissioner Ito acknowledged Mr. Fermin's success in the recent Airport bond refunding.

Mr. Fermin responded that had we not done the refunding sale last week the debt service would have increased by \$23 million, instead of \$12.2 million.

Item No. 7 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

7. Modification No. 3 (Closeout) of Professional Services Contract No. 5600AE - North and South International Parking Garages/Concourse H/Airport BART Station and Rental Car Facility - ED2 International/MBT Architecture Joint Venture Architects - \$1,236,926

No. 03-0013	Resolution approving Modification No. 3 (Closeout) of Professional Services Contract No. 5600AE for the North and South International Parking Garages/ Concourse H/Airport BART Station and Rental Car Facility with ED2 International/MBT Architecture Joint Venture Architects, in the amount of \$1,236,926 for
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additional design services required for AirTrain and BART.

Funding for this modification will be provided from the project budget and from the Airport's "Up to \$2 million" contribution to the BART-SFO Extension with no impact to the Master Plan Budget.

Mr. Ivar Satero, Bureau of Design and Construction explained that this is the closeout modification for this contract. It provides for final reconciliation of costs for the extended construction administration services provided by the consultant, as well as a couple of design changes initiated for Concourse H ... both BART and Airport-related.

The funding will be provided from project budget with no impact to the Master Plan budget. The modification has been reviewed and approved by the Contract Review Committee. The consultant, through this modification, will have achieved 26.7% MBE participation versus the 17% MBE goal, and an 8.8% WBE participation versus the 5% goal.

Mr. Martin added that this will need to go to the Board of Supervisors as the contract will now exceed \$10 million, the trigger for Board approval.

Item No. 8 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

8. Amendment No. 1 to the Lease and Operating Agreement for the Luggage Cart Program with Smarte Carte, Inc

No. 03-0014

Resolution approving Amendment No. 1 to the Smarte Carte Luggage Cart Lease and Operating Agreement regarding an advertising program and directing the Commission Secretary to seek Board of Supervisors approval.

Mr. Fermin explained that staff has negotiated an arrangement with Smarte Carte to implement the placement of advertisements on luggage carts at the Airport. If advertisements are successfully placed on 5,500 carts in the Airport fleet, the Airport would receive 34% of the revenues, for a total annual maximum of \$990,000, although, realistically we expect that revenues will be at some point below this maximum potential.

Commissioner Strunsky asked if we will have approval of the advertiser and copy.

Mr. Fermin responded that all advertising would have to first be submitted to the Airport for approval.





Commissioner Strunsky assumed that the Airport would be able to turn it down for whatever reasons we sees fit.

Mr. Fermin responded that we can.

Commissioner Mazzola asked if Mr. Jeff Simpson, General Supply Company, wished to address the Commission. Mr. Simpson, who failed to indicate which item he wish to address, was not present when his name was called.

\* \* \*

#### H. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item No. 9, was moved by Commission Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

9. Authorization to Request a \$1,320,534 Supplemental Appropriation for the Airfield Development Bureau Runway Modification Program

No. 03-0015

Resolution authorizing staff to issue a request for a supplemental appropriation in the amount of \$1,320,534 for the Airfield Development Bureau Runway Modernization Program.

\* \* \*

#### I. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Mr. John Darmanin said that he is a 22 year veteran of the San Francisco Fire Department and a former San Francisco Fire Department Airport Operations Officer and Training Coordinator. He is a former member of the California Department of Transportation Division of Aeronautics Committee formed to identify a suitable site to build a regional live fire burn training facility to meet FAA-mandated training requirements. He has also spent over 10 years of his career assigned to the SFO Fire Department.

SFO Airport budget staff, with whom they worked, ignored their pleas to support budget requests that included funding for training and staffing. Recent stories in local and national media underscored the result. It is evident that Airport management, specifically Airport Director John Martin, and his budget staff, have pressured the San Francisco Fire Department into reducing its budget to assist them in dealing with the deficit SFO has faced. This has caused training, including FAA-mandated training, to



be cancelled or deferred. Consequently, firefighter and public safety have been jeopardized and public confidence in safety at SFO placed in doubt.

He asked that the matter be investigated and steps taken to insure that no further compromises affecting safety at SFO will occur.

Another story will appear tonight on Channel 7 at 6:00 P.M. This story will provide graphic and disturbing evidence of the unsafe conditions of which he speaks. These stories will continue to air on TV and appear in local papers until assurances are guaranteed that deficiencies in safety programs and training are corrected.

The time to act is before disaster strikes, not after.

Commissioner Ito asked if he was speaking for the Fire Department.

Commissioner Mazzola responded that he speaks for himself only, not the Fire Department.

\* \* \*

J. CORRESPONDENCE:

There was no discussion by the Commission.

\* \* \*

K. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 11:10 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b)(1) to confer with legal counsel regarding a settlement of unlitigated Owner Controlled Insurance Program Builders' Risk Claim of Dennis J. Amoroso Construction Co., Inc.; Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled Pacific Bell Telephone Company v CCSF, San Francisco Superior Court Case No. 415996; and CCSF v Pacific Bell Telephone Company, SBC Communications, Inc., San Francisco Superior Court Case No. 415918, and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 11:29 A.M. The Commission



determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

\* \* \*

L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 11:30 A.M.

  
Jean Caramatti  
Commission Secretary



A Presentation of

# West Field Cargo Area Redevelopment Plan

January 30, 2003



AIRIS Corporation

SFO





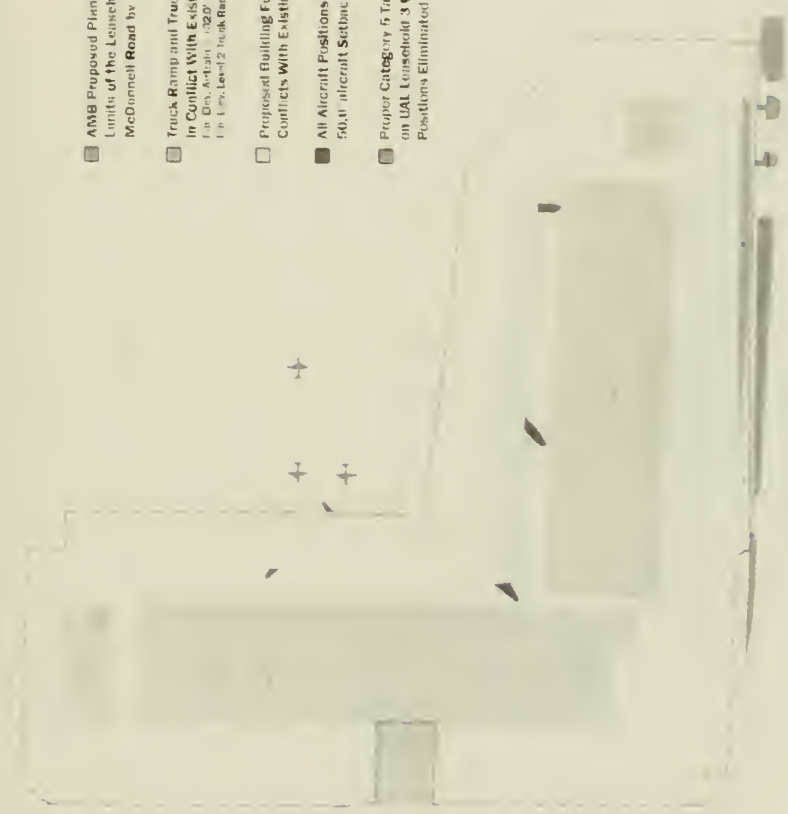
## Development & Operations

- Higher Quality Facility that works within Site Constraints
- More Wide-Body Aircraft parking positions
- Marketing Plan that Addresses the Future of Air Cargo (Freighters vs. Belly-Cargo)
- Better Security Plan that puts Security at the Forefront  
Manned entry points; Security Checkpoints  
1 Ingress, 2 Egress Points
- Only Proposer to Meet All Requirements of RFP
- MBE/LBE Participation In-Place on October 10

URS Partners  
PFE Architects  
Kernan  
Gensler  
Lundrum & Brown  
F.E. Jordan Associates  
AGS Engineers  
F. W. Associates  
Guttmann & Bloedel  
Luster National  
Geomatics  
Hoff Jensen & Associates  
Kroll Security Services  
BNP Associates  
Meadbrook & Lurie  
McCarthy & Schwartz  
O'Malley & Mayne  
Morgan Stanley  
XL Capital  
CSG  
Civil Facility Services  
Graham & Associates  
Jackson Security

**AIRIS** Corporation





- ☒ AMB Proposed Planning is Outside the Limits of the Leasehold Line and Overlaps McDunnell Road by 45.0
- ☒ Truck Ramp and Truck Deck at Level 2 are in Conflict With Existing Airtrain System  
For Ops, Article 13207  
For LRP, Level 2 Truck Ramp and Deck
- ☐ Proposed Building Footprint and Truck Deck Conflicts With Existing NMPOE Facility
- ☒ All Aircraft Positions Overlap the Minimum 50.0' Aircraft Setback
- ☒ Proper Category 5 Taxiway OFA Encroachment on UAL Leasehold 3 UAL Aircraft Parking Positions Eliminated

AMMB Site Plan





AMIB Site Plan of Project Area



"Achieve or demonstrate 'best efforts' to achieve 30% goal in providing equal opportunity for all local businesses (the 'Local Participation Goal'), including minority-owned and women-owned businesses, to participate in the architectural design, engineering, construction and management of the Project. ... The Frapaser should describe how it intends to include these businesses in the overall scope of work." "Project Goal of MFD

Local

## Top to Bottom Initiation

Operating	L/M/ W/oa Equity	0%
Operating 42%	Omni	
Operating 80%	Jackson Securities (MBE) Gutten & Associates (MBE)	
Operating 100%	Luster National (LBE/MBE) Mortenson	
Operating 100%	ABS (LBE/MBE) PacifiCorp & Blackrock (LBE) W/oa (MBE/MBE)	0%
Operating 100%	General (LBE) P.E. Jackson (LBE/MBE)	0%
Operating 100%	Operating (LBE)	0%





## Finance Plan

- AAA insured MAC for the entire Ground Lease term
- AAA rated Bond Insurance
- Long-term finance plan that locks in Lower, Fixed-Interest Rate
- Real Revenues predictions from Committed dates of Delivery
- Achieved Pre-Lease Threshold for Bond Insurance

UBS PanWeber  
IRE Advisors  
Mortenson  
Gensler  
Landrum & Brown  
F.E. Jordan Associates  
AGS Engineers  
F.W. Associates  
Gutmann & Bloch  
Luster National  
Geoslitte  
Rob Jensen & Associates  
Kroll Security Services  
EHP Associates  
Koslowicz & Louie  
McCarthy & Schmidt  
O'Malley & Mayers  
Morgan Stanley  
XL Capital  
CSG  
Omni Facility Services  
Gordon & Associates  
Jackson Securities


**AIRIS** Corporation




## Airris: Who We Are

### Airris

- Preeminent Developer in Aviation Market
- Sole Business for 18 years
- On New Developments, Airris Is the Developer
- 2,300,000 sf developed
- Specializes in land-constrained airports like SFO (EWR, MIA, JFK)
- Airris is Property Manager and Marketing Agent
- 99.95% Occupancy Rate



MIA  
\$11,000 sf  
LanChile Cargo  
Arrow Air



*"[Airris] is the most experienced development entity"*  
(source: John Brown Co.)

Morgan Stanley  
XL Capital  
CSC  
Omni Facility Services  
Golden & Associates  
Jackson Squirella

**AIRIS** Corporation



ATTACHMENT NO. 2  
(17 pages)

Lufthansa Cargo AG

Your Ref:  
Ihre Zeichen:Our Ref./Date  
Unser Zeichen/Datum:Telephone-Ext.  
Telefon Durchw.

Atlanta F/H3  
The Americas  
3400 Peachtree Rd NE  
Atlanta, GA 30326

Mr. Ronald D. Factor  
President & COO  
Airs Holdings, LLC  
One Riverway  
Suite 1630  
Houston, TX 77056

January 27, 2003

Re: Air Cargo Requirements at San Francisco International Airport

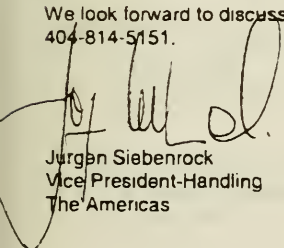
Dear Mr. Factor:

In response to your request for what may be our possible requirements at SFO, we submit the following information:

Approximately 40,000 square feet divided appropriately between warehouse and office space.  
Preferential aircraft parking  
Occupancy by 2006

This non-binding letter of interest should serve as preliminary correspondence only and does not constitute any obligation of any kind on either party. The amount of space we may ultimately deem appropriate for discussion will be of course dependent on numerous factors, including, without limitation, financial factors, lease characteristics, and operational considerations.

We look forward to discussing this project further with you. Please do not hesitate to contact me at 404-814-5151.



Jürgen Siebenrock  
Vice President-Handling  
The Americas

For corporate details, address and  
further information p. 10  
Geschäftsrechtliche Angaben  
Anschriften und weitere Informationen:



**CARGO SERVICE CENTER**

October 8, 2002

Mr. Brian Cochran  
Executive Vice President & Principal  
Airis Holding, LLC.  
6150 W. Century Blvd. Suite 254  
Los Angeles, CA 90045

Rc: Air Cargo Requirements  
West Field Air Cargo Development  
SFO/San Francisco International Airport

Dear Mr. Cochran,

In response to your request for our projected requirements at SFO, we submit the following information for your consideration:

Approximately 100,000 square feet divided appropriately between warehouse and office space.

Preferential aircraft parking.

We would be looking for occupancy once the project is complete.

This non-binding letter of interest should serve as preliminary correspondence only. The amount of space we may ultimately lease will of course be dependent on financial factors, lease characteristics, and operational considerations.

We look for to participate in this exciting project, please do not hesitate to contact me at 786-437-0105 if necessary.

Sincerely,

Oliver Schurmann-Lussier  
VP of Sales & Marketing  
The Americas







**KOREAN AIR****SAN FRANCISCO CARGO OFFICE**

501 SOUTH AIRPORT BLVD SUITE 2, SO. SAN FRANCISCO, CA 94080  
TELEPHONE: (415) 742-8850 • FAX: (415) 742-8284

January 14, 2003

Mr. Brian Cochran  
Executive Vice President & Principal  
Airis Holding, LLC  
6150 W. Century Blvd., Suite 254  
Los Angeles, CA 90045

Re: Air Cargo Requirements  
West Field Air Cargo Development  
SFO/San Francisco International Airport

Dear Mr. Cochran:

In response to your request for our air cargo warehouse and office requirements at SFO, the following information is provided.

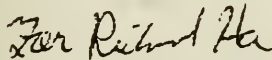
Approximately 60,000 square feet of warehouse space  
Approximately 3,000 square feet of office space

Preferential aircraft parking for 1 - B747 aircraft.

This non-binding letter of interest (LOI) should serve as our interest in Airis' project proposal, but it should be treated as preliminary correspondence only. The amount of space we may ultimately lease will of course be dependent upon financial factors, lease characteristics, and operational consideration.

Please do not hesitate to contact me at (415) 742-9850 if necessary.

Sincerely yours,



N. H. Shin  
Cargo Traffic Deputy General Manager  
Korean Airlines/SFO

Nhs/rh





Honorable Henry E. Berman  
President  
San Francisco Airport Commission  
San Francisco International Airport  
P.O. Box 8097  
San Francisco, California 94128  
United States of America

Prepared by

Date

Reference

January 17, 2003

LFV 2003-0007-160

Telephone (direct)

Your date

Your reference

Dear President Berman,

This letter serves to confirm the good-standing nature of the relationship between Luftfartsverket (the Swedish Civil Aviation Administration) and Airis Holdings, LLC. Luftfartsverket (LFV) entered into a business relationship with Airis almost two years ago in the spring of 2001 by forming a 50/50 joint venture company, Nordic Airport Properties AB. This company is charged with developing new cargo related airport facilities at major Swedish airports, in particular Stockholm Arlanda (ARN), Gothenburg (GOT), and Malmö (MMX) airports. The LFV chose Airis as the development arm of the Joint Venture Company mainly due to their expertise in airport development planning and in market financing of cargo facilities. Utilizing sources of capital other than Swedish Government supported funding was a primary goal when establishing the joint venture. Airis' expertise in development and marketing cargo facilities especially and in conceptualizing new business opportunities was of equal importance in the selection of Airis as partner to Luftfartsverket.

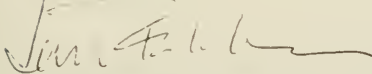
To date, at Stockholm-Arlanda airport, Sweden's largest airport the Joint Venture is executing plans to capture more air cargo market share by developing new and more efficient cargo facilities. Airis, through its extensive network of financial partners, has arranged financing to purchase the existing properties, to facilitate the migration to new cargo facilities. Business plans for the Joint Venture have been set and important headway has been accomplished through the aggressive acquisition program of existing facilities. Construction of large new cargo and state-of-the-art mail sort facilities is expected to commence in Fall 2003. Our Joint Venture Company may also be used to expand other facilities. The mission of the Joint Venture Company is to enhance the position of the LFV airports in the relevant markets.



We are very pleased with progress made in the joint venture and with Airis' expertise in financing, planning and development. Given that a selection is made in Airis' favor, we would welcome the opportunity to discuss linking the LFV Airport System with SFO in a manner that would expand mutual business horizons.

We wish the Airport Commission good fortune with its selection process.

Sincerely yours,

A handwritten signature in dark ink, appearing to read 'Lars Rekke', with a long horizontal flourish extending to the right.

Lars Rekke  
Director General





January 16, 2003

Mr. Ron Factor  
Airis Holdings, LLC  
1 Riverway  
Suite 1630  
Houston, TX 77056

Dear Ron:

You have asked GE Structured Finance, Inc. ("GESF") to provide a letter of reference in support of your bid to develop a new air cargo facility at San Francisco International Airport ("SFO") and we are happy to do so.

GESF, a wholly owned subsidiary of General Electric Company, has had a relationship with Airis Development Group ("Airis") since 1996 through our financing and investment in Airis' air cargo facility at Newark International Airport ("EWR"). In general, we have found the principals of Airis to be of high integrity and very experienced professionals in the field of aviation facility development. Their knowledge and understanding of the airline tenant base as well as the airport landlords make them particularly adept at creating valuable solutions for all stakeholders. These attributes were a key consideration in making our investment in the EWR cargo facility.

GESF financed the EWR facility in two phases, providing a total of \$51 million in tax-exempt debt with a 23 year maturity as well as a guaranty of Airis' ground rent payments to the Port Authority of New York and New Jersey. The financing was closed prior to full lease-up of the facility. In fact, Phase I pre-leasing was 70% of Phase I space and 45% of total project space generating less than 1.0x debt service coverage. However, we believed that Airis' aviation expertise and marketing campaign coupled with the strength of the EWR cargo market would ultimately result in near 100% occupancy by the time construction was completed. This, in fact, did play out. When Phase II was financed, pre-leasing generated greater than 75% occupancy and by the time the facility was completed, occupancy was 95%. Today, the project is 99% occupied and we are very satisfied with our investment and Airis' management of the facility.

In conclusion, we believe Airis has the capabilities and experience to develop, finance, construct and manage complex aviation facility projects. In fact, if the opportunity arises to work with Airis on the project at SFO, we would readily undertake our customary due diligence with confidence in the work performed by Airis.

Yours truly,

Mark A. Moore  
Senior Vice President







Via Facsimile (310/641-4498) & Overnight Delivery

January 23, 2003

*Arrow Air, Inc.  
4600 NW 36th Street, Bldg 22  
Miami, Florida 33122  
P.O. Box 026062  
Miami, FL 33102  
Phone (305) 871-5555  
Facsimile (305) 871-3379*

Mr. Brian Cochran  
Airis Holdings, LLC  
6150 W. Century Blvd., suite 254  
Los Angeles, CA 90045

**RE: AIRIS' BID FOR SFO'S WESTFIELD AIR CARGO REDEVELOPMENT  
SAN FRANCISCO INTERNATIONAL AIRPORT**

Dear Brian:

We understand that Airis is one of two bidders on SFO's proposed Westfield air cargo facility. Please accept this letter of Arrow Air's unqualified support for Airis.

After more than 50 years of transporting air cargo, Arrow Air is enjoying a fresh start. The Miami-based carrier, now under new ownership, is expanding its cargo service to the most promising markets in the Americas, and offering "one-stop" service to freight forwarders and other customers through a worldwide network of strategic alliances.

Arrow Air Holdings Corp. took over the aircraft of Fine Air Services Corp. on May 9, 2002, when a U.S. bankruptcy court judge in Miami approved a reorganization plan for the company. Now operating under the Arrow Air flight certificate, maintenance crews are busy repainting the company's aircraft to reflect the new ownership – and the new spirit – of Arrow Air.

Arrow Air is currently the fourth largest cargo airline in the United States, with a fleet of 16 DC-8 aircraft, two wide-body L-1011 and three wet leased DC-10-30Fs. Based at Miami International Airport, Arrow Air directly serves 29 destinations in South America, Central America and the Caribbean with 135 flights each week, as well as worldwide charter and interline capabilities.

At Miami International Airport, Arrow Air operates in Airis' new 133,000-square-foot facility known as Building 711 that includes: 60,000 square feet of refrigeration and freezer space for fresh flowers, asparagus, fish and other perishables; 60,000 square feet of warehouse space to handle export cargo; and 13,000 square feet of office space.

Arrow Air was founded in 1950, and has operated under the same name longer than any other all-cargo U.S. airline. During Operation Desert Storm in 1991, Arrow committed three aircraft to full-time service for the Military Airlift Command. In 1999, one of the airline's DC-8s was leased to the NATO Joint Air Mobility Command and was used to carry supplies for the Kosovo conflict to the Balkans. Arrow Air also serves the U.S. military forces based at Guantanamo, Cuba, on a scheduled basis.



With more than 1,200 clients worldwide, Arrow Air serves international and domestic forwarders, integrated carriers, passengers and cargo airlines, the U.S. Department of Defense and the United States Postal Service. Arrow Air also has worldwide charter and inter-line capabilities.

We are proud of our working relationship with Airis and Arrow's reputation for on-time scheduled service to the destinations we serve, as well as our ability to accommodate our customers' varied requirements. We welcome the opportunity to field further queries from SFO's management. Again, we highly recommend Airis for its bid to assist SFO in their planned air cargo expansion needs.

Sincerely,

Arrow Air Holdings Corp.

By:

  
Richard L. Haberly

President and Chief Executive Officer





# NEWARK AIRPORT MEDICAL OFFICES

Newark International Airport • Building No. 339

Newark, NJ 07114

Tel.: 973.643.8383 • Fax: 973.643.4744

website: [www.newarkairportmedicaloffices.com](http://www.newarkairportmedicaloffices.com)

December 23, 2002

Ronald D. Factor  
President and COO  
Airis Holdings, LLC  
One Riverway  
Suite 1630  
Houston, TX 77056

Dear Ron:

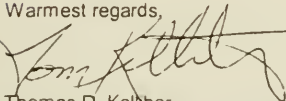
I hope this letter finds you and yours in good health. Dr. Dellorso and I understand that your firm has been chosen as one of the two finalists for the development of a new air cargo facility at San Francisco International Airport. While it is not our practice to favor one developer over another for such services, we nonetheless wanted to acknowledge the nature of our past experience with Airis and to wish you the best of luck in your future endeavors in California.

This letter serves to confirm our satisfaction with services that your firm has provided to us. As you know, the Newark Airport Medical Offices provides a full range of occupational and medical health services to the entire community at Newark Liberty International Airport. We provide acute, occupational, primary care and travel medicine services to over 50,000 employees and 30 million passengers annually with a full range of medical services including F.A.A. physical examinations, drug and alcohol testing, physical therapy and rehabilitation medicine, orthopedics, podiatry, audiology, vision screening, immunizations, x-ray and laboratory services. It was a unique and ambitious project to design such a state-of-the art facility that could accommodate such a varied mix of health care services and Airis certainly stepped up to the plate in every regard, as the project developed and came to be a reality. Airis developed approximately 5,000 square feet of customized medical office space within their sprawling air cargo complex here at Newark Liberty International Airport to meet our specific needs. We were pleased to work directly with your architects, construction managers and vendors and the principals in the firm who helped us to evaluate our future facility needs. The leadership and responsiveness displayed by Mr. Al Shively, one of your Senior Vice President's, attributed to cementing our faith in Airis' as a qualified agent capable of designing a workable and lasting solution for our needs.



Negotiating directly with the active managers, principals and owners as those with vested interests in the outcome of our facility's success was indicative of your steadfast commitment to the aviation community, our project and to our success at Newark Liberty International Airport. We look forward to continuing to do business with Airis, hopefully at San Francisco International Airport, possibly at John F. Kennedy International Airport, or wherever our future business opportunities may take us. Enjoy a safe, happy and healthy holiday season and a wonderfully prosperous New Year.

Warmest regards,

A handwritten signature in black ink, appearing to read 'Tom Kellner', written over a horizontal line.

Thomas D. Kellner  
Executive Director







January 14, 2003

RON FACTOR  
President COO  
AIRIS HOLDINGS, LLC  
One Riverway; Suite 1630  
Houston, TX 77056

Dear Ron,


Congratulations on Airis having been selected as one of two finalists for the development of a new air cargo facility at San Francisco International Airport.

We would like to take this opportunity to confirm, to those evaluating the merits of Airis in San Francisco, EVA's extreme satisfaction with its existing leasehold at the Airis International Air Cargo Center; Newark liberty International Airport. The continued attention to detail displayed by the Airis management staff in managing our leasehold has been noteworthy.

Additionally we are most grateful to Airis for their continued sensitivity regarding our business development needs as well as our cargo handling requirements. The global reputation of Airis's Principals and Senior Vice-President [Ron Factor, Brian Cochran and Al Shively respectively] have served to extend EVA's marketing efforts far beyond its existing route structure. Airis is EVA's true partner in a most demanding and challenging business.

We look forward to expanding our relationship with Airis in San Francisco and elsewhere as those opportunities arise.

Sincerely yours,

  
Gan Chun-qiang  
Cargo Manager  
EVA Air

**EVA AIRWAYS CORPORATION**  
**JFK CARGO OFFICE**  
Building 260  
JFK International Airport  
Jamaica NY 11430 U.S.A  
Tel: (718) 656-0135 Fax: (718) 656-3539



# American Airlines Cargo

Ronald D. Factor  
President and COO  
Airis Holdings, LLC  
One Riverway  
Suite 1630  
Houston, TX 77056

Dear Ron

We understand that your firm has been chosen as one of the two finalists for the development of a new air cargo facility at San Francisco International Airport. While it is not our practice to choose one developer over the other for such services, we nonetheless wanted to acknowledge in writing the nature of our past experience with Airis.

This letter serves to confirm our satisfaction with services that your firm has provided to us. At Newark International Airport, Airis developed an approximate 25,000 square foot Air Cargo Complex on our behalf. We have been very pleased with the enhanced operations only achievable in a cost-effective, state-of-the-art facility. Working directly with you as architect, who happened to be a principal in the firm evaluating our future facility needs, helped cement our faith in Airis' as a qualified agent capable of designing a workable and lasting solution for our needs. Negotiating directly with you as a knowledgeable cargo expert and as an active manager and owner with vested interests in the outcome of our association was indicative of your steadfast commitment to our project and to our success at Newark. Airis has continued to provide excellent service on the facility to help make sure that the facility remains in good shape now and in the future. We look forward to continuing to do business with Airis, hopefully at San Francisco International Airport or wherever our future business opportunities may take us.

Cordially,

A handwritten signature in black ink, appearing to read 'B. L. Cooley', with a long, sweeping horizontal line extending to the right.

Brian L. Cooley  
Customer Service Manager  
American Airlines Cargo  
Newark, New Jersey





Delta Air Lines, Inc.  
Newark International Airport  
Newark, New Jersey 07114 U.S.A.

Ronald D. Factor  
President and COO  
Airis Holdings, LLC  
One Riverway  
Suite 1630  
Houston, TX 77056

Dear Ron:

We understand that your firm has been chosen as one of the two finalists for the development of a new air cargo facility at San Francisco International Airport. While it is not our practice to choose one developer over the other for such services, we nonetheless wanted to acknowledge in writing the nature of our past experience with Airis.

This letter serves to confirm our satisfaction with services that your company has provided to us at Newark Liberty International Airport. Our relationship began in the spring 1999. Your continued support of Delta's operation has enhanced our operational effectiveness and productive. We have been very pleased with the enhanced operations only achievable in a cost-effective, state-of-the-art facility. The day to day management has been both professional and personal in nature. Negotiating initially with you as our architect and Airis Principle and daily with Al Shively your Senior Vice President has cemented our relationship and proven professionally that the Airis team is second to none. We look forward to continuing to do business with Airis, hopefully at San Francisco International Airport or wherever our future business opportunities may take us.

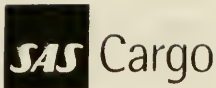
Cordially,

A handwritten signature in dark ink, appearing to read "Ralph Naples", followed by a long horizontal line.

Ralph Naples  
Manager Air Logistics  
Newark Liberty International Airport  
Newark, New Jersey 07114







Ronald D. Factor  
President and COO  
Airis Holdings, LLC  
One Riverway  
Suite 1630  
Houston, TX 77056

Dear Ron:

We understand that your firm has been chosen as one of the two finalists for the development of a new air cargo facility at San Francisco International Airport. While it is not our practice to choose one developer over the other for such services, we nonetheless wanted to acknowledge in writing the nature of our past experience with Airis.

This letter serves to confirm our satisfaction with services that your firm has provided to us. "At Newark International Airport, Airis developed a 75,000 sf air cargo complex on our behalf." We have been very pleased with the enhanced operations only achievable in a cost-effective, state-of-the-art facility.

"Working initially with you as our architect, and later with your senior Vice-President Al Shively, the professionalism of Airis and in particular its concern for us as tenant has resulted in a relationship which we hope to grow not only in the United States, but Scandinavia as well.

Having worked with Airis since 1997 it is very clear to us at SAS why the government of Sweden has chosen to joint venture with Airis in the development of its Aviation and Aviation related facilities for the next twenty years

We look forward to continuing to do business with Airis, hopefully at San Francisco International Airport or wherever our future business opportunities may take us.

Cordially,

A handwritten signature in cursive script that reads "Larry Katz".

Larry Katz  
SAS Newark Terminal Manager





Frank Campbell  
Northwest Airlines  
Building 339, Brewster Road  
Newark Liberty International Airport  
Newark, New Jersey 07114

23 Dec 02

Ronald D. Factor  
Airis Corporation

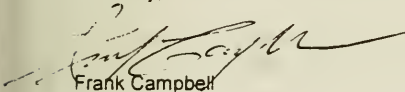
Dear Ron:

We understand that your firm has been chosen as one of the two finalists for the development of a new air cargo facility at San Francisco International Airport. While it is not our practice to choose one developer over the other for such services, we nonetheless wanted to acknowledge in writing the nature of our past experience with Airis.

This letter serves to confirm our great satisfaction with the services that your company has provided to us at Newark Liberty International Airport. Your cost effective, state-of-the-art facility has greatly enhanced our Newark operation and contributed significantly to a positive bottom line. Negotiating directly with you as a knowledgeable cargo expert and with Al Shively, your Senior Vice President charged with the day-to-day oversight of your Newark facility has created a measure of trust and confidence between Northwest Airlines and Airis seldom experienced in this industry. The Airis management team is unquestionably the very best in the Aviation Cargo Facility Industry. Its knowledge of and commitment to the tenants it serves is second to none!

We look forward to continuing to do business with Airis, hopefully at San Francisco International Airport or wherever our future business opportunities may take us.

Sincerely,



Frank Campbell  
General Manager  
Northwest Airlines Cargo Center

FC/ab



October 8, 2002

Mr. Brian Cochran  
Executive Vice President & Principal  
Airis Holding, LLC.  
6150 W. Century Blvd. Suite 254  
Los Angeles, CA 90045

Re: Air Cargo Requirements  
West Field Air Cargo Development  
SFO/San Francisco International Airport

Dear Mr. Cochran,

In response to your request for our projected requirements at SFO, we submit the following information for your consideration:

Approximately 100,000 square feet divided appropriately between warehouse and office space.

Preferential aircraft parking.

We would be looking for occupancy once the project is complete.

This non-binding letter of interest should serve as preliminary correspondence only. The amount of space we may ultimately lease will of course be dependent on financial factors, lease characteristics, and operational considerations.

We look for to participate in this exciting project, please do not hesitate to contact me at 786-437-0105 if necessary.

Sincerely,

Oliver Schurmann-Lussier  
VP of Sales & Marketing  
The Americas



# LANCHILE

Miami, January 28, 2003

Honorable Henry E. Berman  
President  
San Francisco Airport Commission  
San Francisco International Airport  
P.O. Box 8097  
San Francisco, California 94128

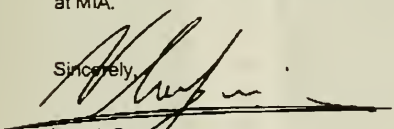
Dear President Berman:

We understand that Airis Holdings, LLC has been chosen as one of the two finalists for the development of a new air cargo facility at San Francisco International Airport, and we wanted to convey to those who are making the final selection that Airis is in good standing with LanChile Cargo.

LanChile is one of the oldest airlines in the western hemisphere and has served Miami for 45 years. In the spring of 1998 we were introduced to the partners of Airis. LanChile was at the time in an expansion mode and in need of newer and larger cargo facilities at Miami International Airport. Given the fiscal constraints the airport was under, relating to the massive \$5+ billion capital improvement plan that is still under construction, the Miami Dade Aviation Department understandably could not apply resources to new cargo facilities for the airfield. We too had to select between one of two developers for this project, ultimately decided on Airis.

On November 1, 1999, three months after the signed of the Ground Lease, Airis began demolition on the site. 20-months later, on August 15, 2001 the 400,000 square foot project was delivered to us on-time and in-budget. We have been very pleased with the performance of the facilities, which include an adjacent aircraft apron for 9 widebody aircraft and offices to house our headquarters, and are especially pleased by the competitive, long-term, fixed lease rates that will help us realize an advantage over our competitors, most of whom are on short-term leases with rates that will escalate much higher than ours over the same period. This advantage allows us to plan for the future, both in terms of forward cargo contracts and fleet mixes. It must also be noted that working directly with the principals of Airis, rather than with the contractors and joint-venture partners who were not in it for the long haul, was proof of their commitment to us and to our project, the performance of which is so closely linked to our future prosperity at MIA.

Sincerely,



Vamir Domic  
Senior Vice President  
Finance & Corporate Development

VD/ax





# AMB PROPERTY CORPORATION



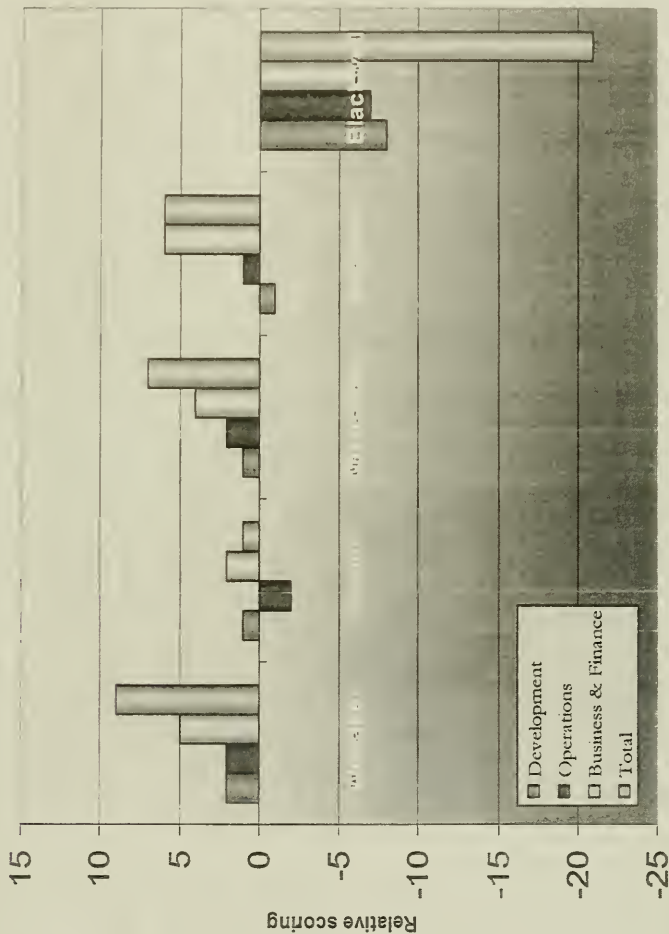
SAN FRANCISCO AIRPORT COMMISSION SLIDE PRESENTATION | JANUARY 30, 2003







## SFO International Airport West Field Cargo Redevelopment Independent Panel Relative Scoring



January 7, 2003

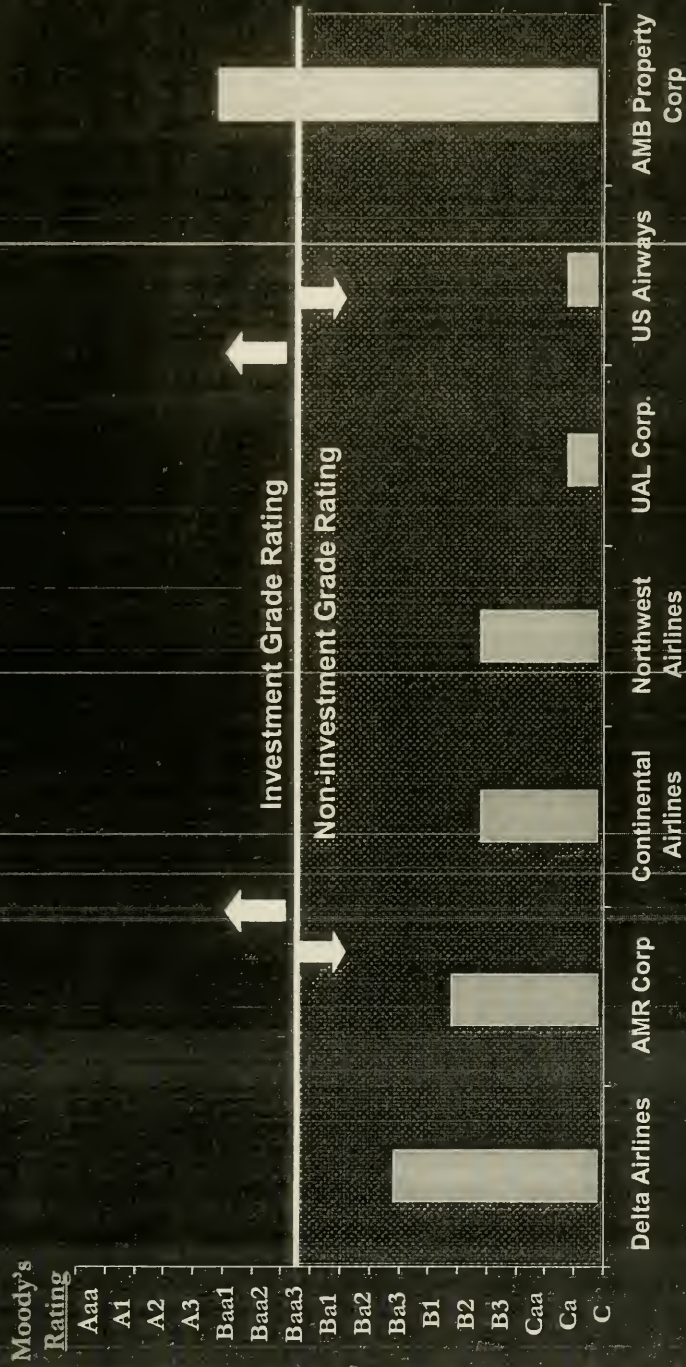


# COMPARISON OF FINANCING APPROACHES

	AMB Financing Plan	"Project" Financing
> Lowest all-in cost of financing	<input checked="" type="checkbox"/>	<input type="checkbox"/>
> Certainty of financing and construction start	<input checked="" type="checkbox"/>	<input type="checkbox"/>
> Greater subtenant lease flexibility	<input checked="" type="checkbox"/>	<input type="checkbox"/>
> Least amount of complexity	<input checked="" type="checkbox"/>	<input type="checkbox"/>
> Lower operational and legal risks	<input checked="" type="checkbox"/>	<input type="checkbox"/>
> Simpler documentation, underwriting and marketing	<input checked="" type="checkbox"/>	<input type="checkbox"/>



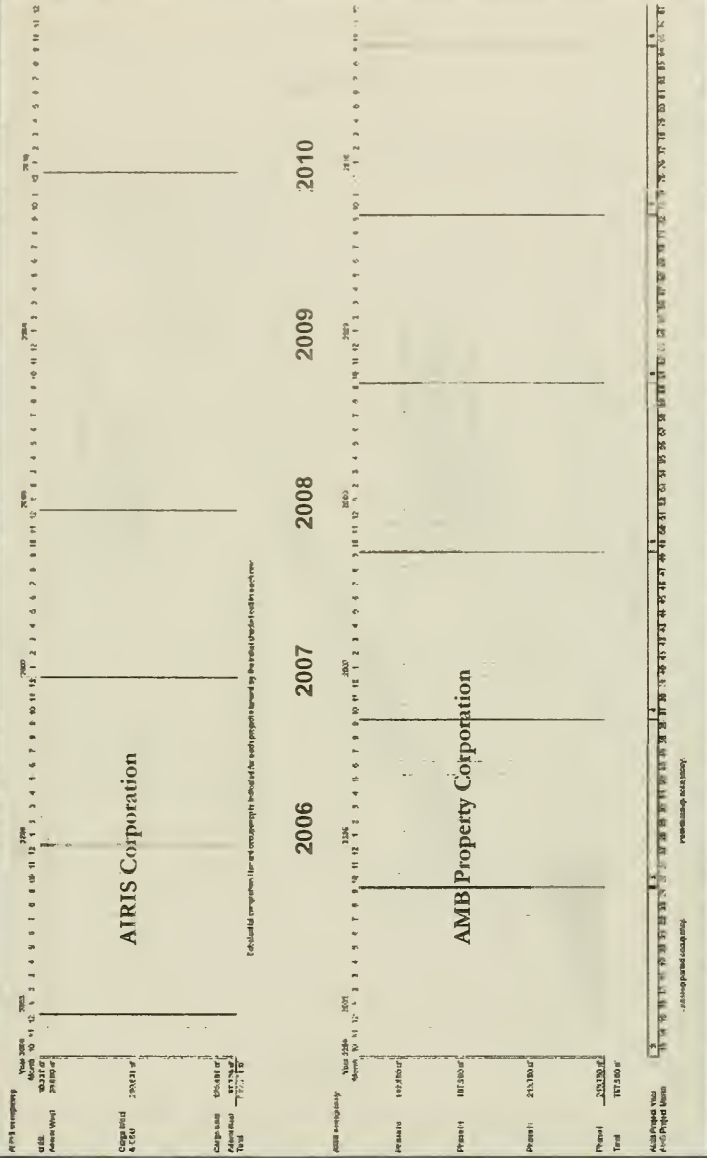
# Credit ranking of the network carriers







# MARKET DEMAND-CAPACITY DYNAMICS

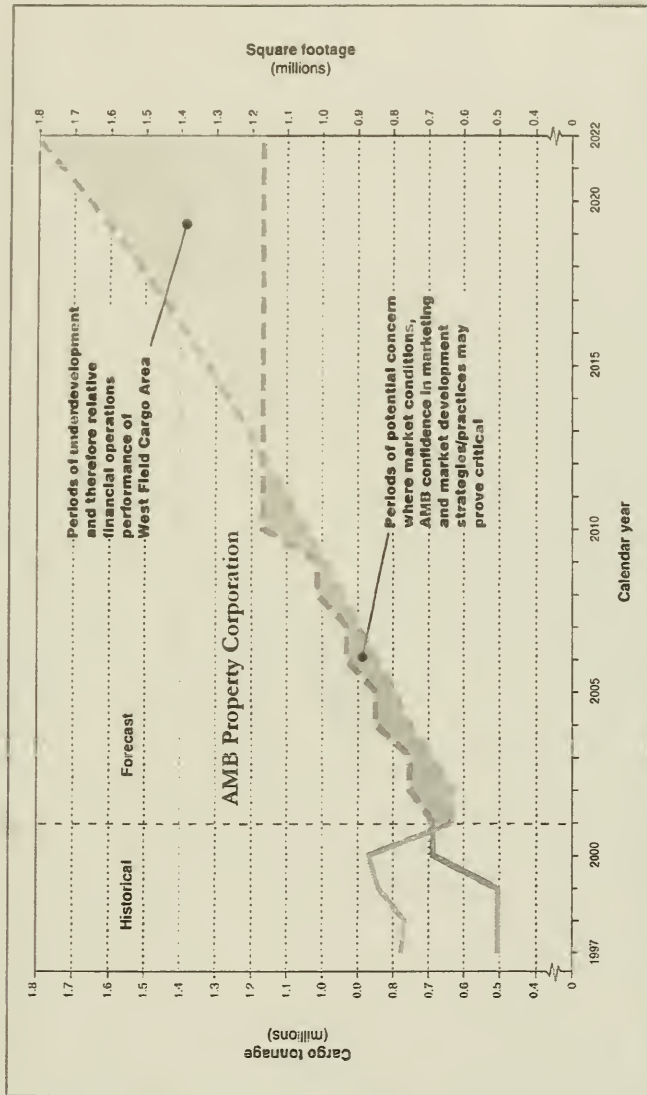






# MARKET DEMAND-CAPACITY DYNAMICS

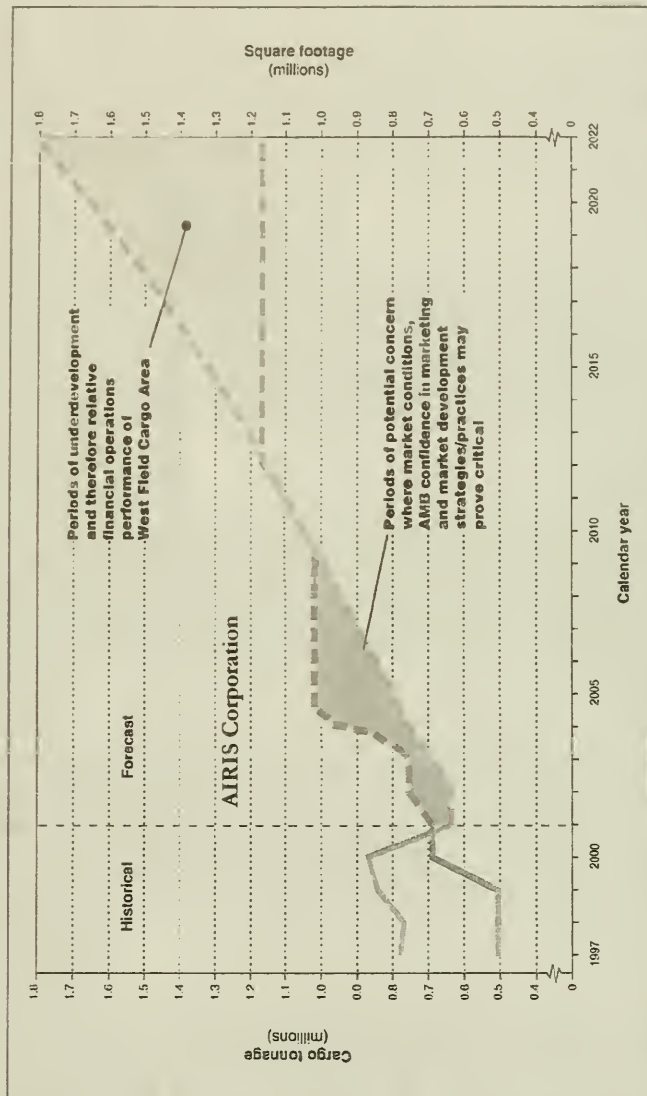
## DEMAND-CAPACITY COMPARISON FOR CARGO FACILITY SPACE San Francisco International Airport





# MARKET DEMAND-CAPACITY DYNAMICS

## DEMAND-CAPACITY COMPARISON FOR CARGO FACILITY SPACE San Francisco International Airport



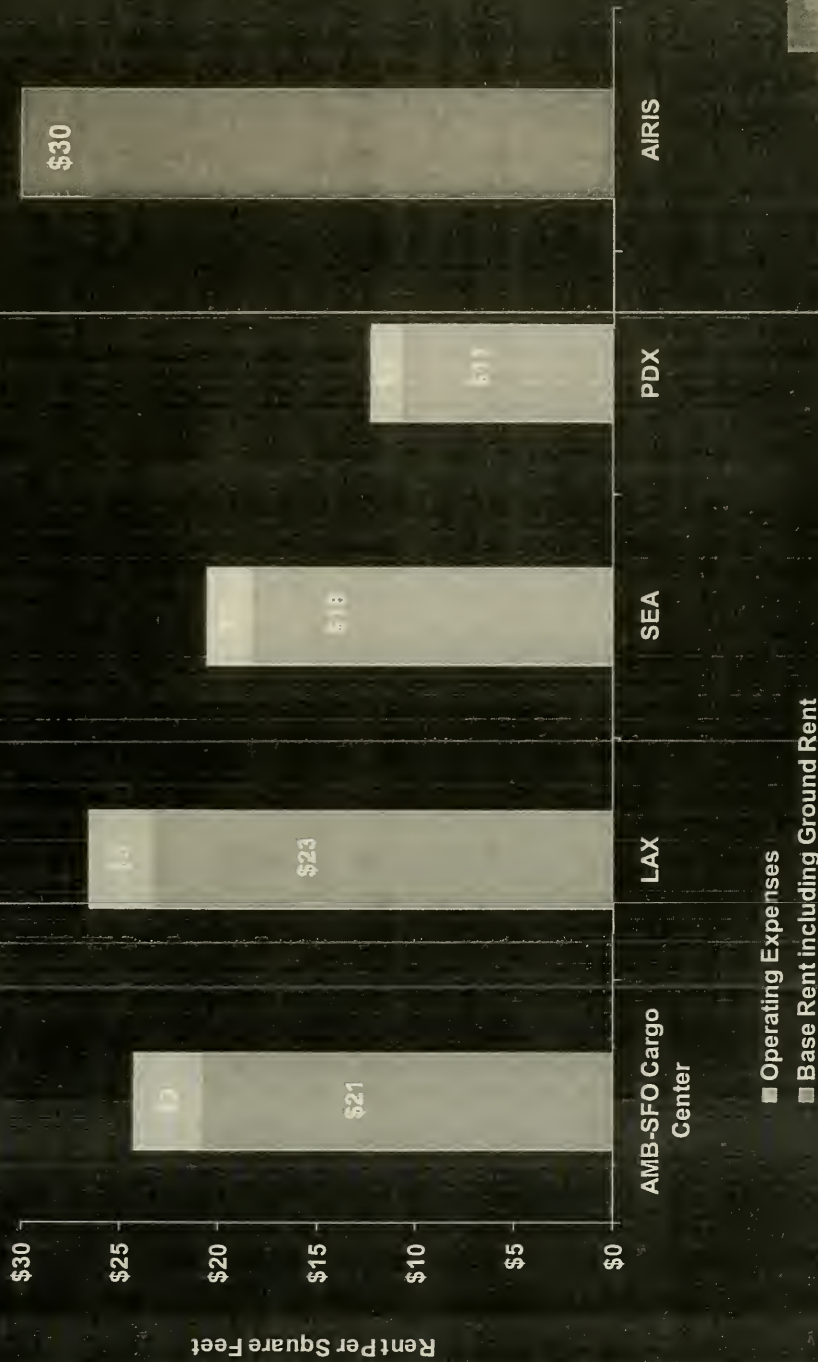
LEGEND

- Demand for freight building space
- Demand for freight building space
- Capacity of freight building



# MARKET RENT ANALYSIS

## West Coast Airport Rent Comparison



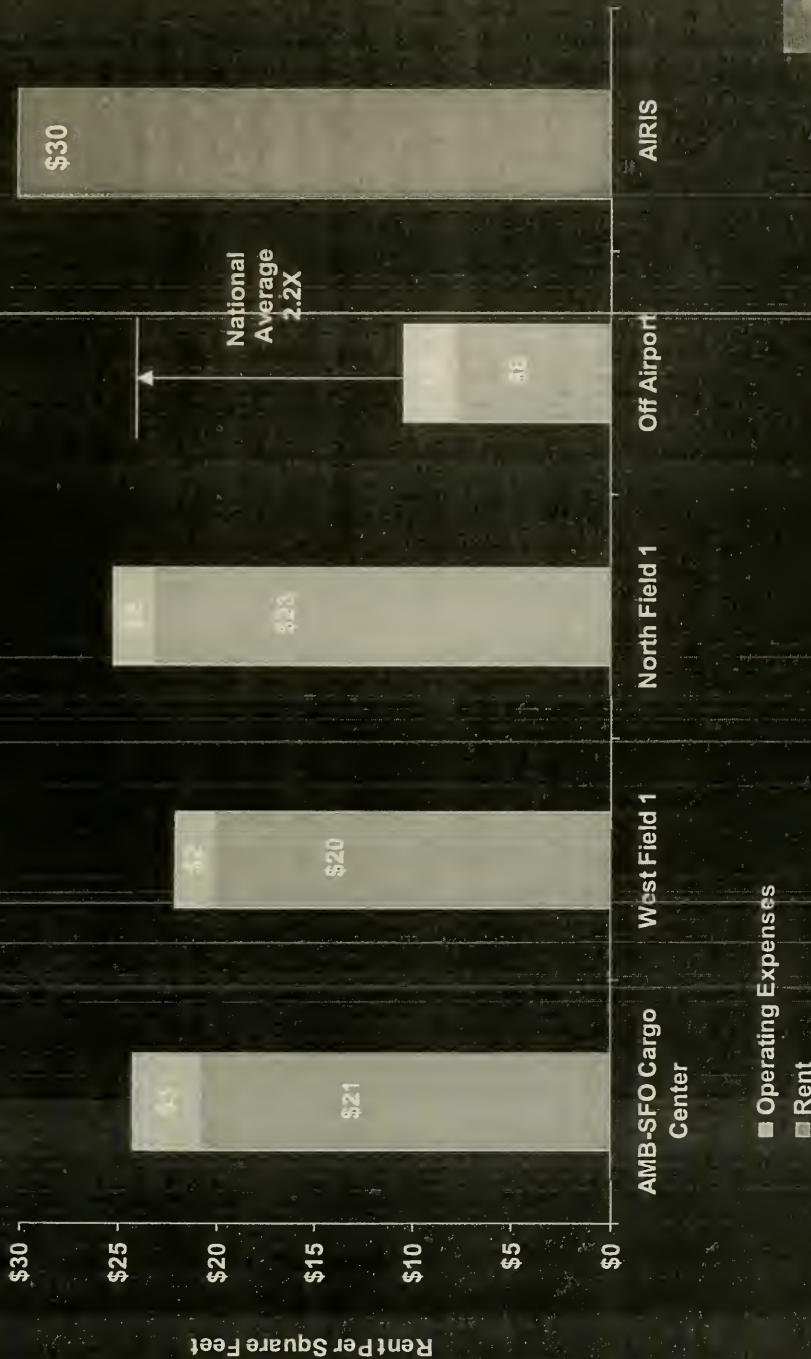
- Operating Expenses
- Base Rent including Ground Rent





# MARKET RENT ANALYSIS

## On-Airport Rent Comparison







# REVENUE TO AIRPORT



> Percentage rent to the airport is based on gross rents

> Any increase in construction cost, interest rates, or expense will not decrease percentage rent paid by AMB



January 29, 2003

Honorable Henry E. Berman  
President  
San Francisco Airport Commission  
San Francisco International Airport  
PO Box 8097  
San Francisco, CA 94128

Dear President Berman:

We appreciate the considerable efforts that have been made over the last several months by the Airport Commission, Airport Staff, the selection panel, and the John F. Brown Company, among others, with regard to the RFP that was issued for the proposed redevelopment of the West Field Cargo Area at SFO, and we are pleased to have been selected for the second time by the selection panel. While we appreciate the enormous effort by the J. F. Brown Company to summarize the findings of the panel in a short time period, we believe that there are several factual inaccuracies and material omissions in the report, which we are requesting be corrected.

We are also concerned by the fact that the John F. Brown Company, by its own admission, acknowledges that although the City Attorney instructed the Review Panel to disregard any material changes in the originally submitted responses to the RFP, the John F. Brown Company was not bound by and did not adhere to the same instruction. As a consequence, the Brown report states that John F. Brown Company "may have considered certain information that members of the Review Panel felt was outside of their purview." The report does not describe the information upon which the John F. Brown Company may have relied, but which the Review Panel disregarded. In order to provide the parties their rights to due process, to the extent that the Airport Commission takes into account in its decisionmaking the analysis, findings or substance of the report, the record must clearly reflect whether such analysis, findings or substance was based on the original RFP responses or any material changes thereto. Similarly, if the John F. Brown Company or the Commission were to consider any material change to an RFP response, the parties must have the opportunity to comment on such change. And because AMB has made no material changes to its RFP response, we object to the Commission's consideration of any material changes to the Airis RFP response. If, over our objection, the Commission considers any material change made by Airis to its RFP response, we request that the Commission provide us the equivalent right to propose material changes to our RFP response.

We would further like to clarify that AMB has never engaged nor paid any fees, either directly or indirectly, to either the John F. Brown Company or Mr. Muscatello for any services whatsoever. To the extent that Mr. Brown has implied otherwise, we would respectfully request that this fact be clearly reflected.

The following sets forth the specific additional areas where we believe the John F. Brown report should be modified and corrected.



Honorable Henry E. Berman

January 29, 2003

Page 2

Interest Rates. The Brown report omits any mention whatsoever of the interest rate hedges that AMB has on several occasions indicated it would utilize and the costs of which were specifically noted in AMB's response to the additional financial information that was requested of each finalist on January 7, 2003. Additionally, the last sentence of the 4<sup>th</sup> full paragraph on page 10 of the report should have read "At that time, long-term rates may be higher or lower than the rates at which Ains might have borrowed."

Credit Enhancements. As AMB has noted on several occasions, AMB has the financial ability to offer credit enhancements from its balance sheet to lower its all in cost of financing, including lowering the cost impact of debt service reserves and bond insurance. We indicated on several occasions that AMB would consider using its balance sheet in such manner if cost effective. This material point was omitted from the Brown report.

Lien Status. The Brown report implies that only Ains indicated a willingness to pay the MAG first. AMB similarly made such an oral commitment during its January 7 presentation, a fact that should not have been omitted.

MAG Insurance. At the end of the first paragraph on page 22 of the Brown report, the John F. Brown Company should have noted that it was irrelevant whether the MAG insurance premium was paid all up front or over time, since, if it were paid up front, the amount of Ains' financing would need to be increased, having a similar impact on the percentage rent paid to the Airport as if the MAG insurance were paid over time.

Rental Rate Reconciliation (Taxes). The assumption that Ains' and AMB's taxes would be the same amount is incorrect. The actual tax rate will be based on the ground lease rate paid to the Airport and total construction costs, which is the methodology used by the taxing authority on the North Field and West Field buildings. Based on Ains' proposal, this calculation would result in a tax expense of \$3.16 per square foot for the Ains project, not the \$2.03 figure used in the report.

Tenant Improvements. The dollar figures cited in the Brown report on page 28 reflect our underwriting assumptions for second generation space. We also budgeted significant tenant improvement allowances in the project costs, averaging \$17.81 per square foot for Phase I, which is comprised of a \$45.00 per square foot allowance for the office areas and a \$4.25 per square foot allowance for the warehouse areas.

MPOE. The actual text in the RFI #5 concerning the airspace above the MPOE states that "development will not be allowed beyond the existing fence line to building 620 nor into the air rights as established by that fence line". This fence line would have required both proposers to redesign a portion of their project with some associated loss in square footage, which fact should have been reflected in the Brown Report.



Honorable Henry E. Berman

January 29, 2003

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Finally, we take objection to the John F. Brown Company's inclusion of various allegations made by Airis relating to design defects in AMB plans (see, for example pages 20 and 39). At the time that these allegations were made, our response to the RFP should not have been publicly disclosed or otherwise been available to Airis for review. The RFP process did not provide for the exchange of RFP responses nor for the parties to offer criticisms of their competitor's proposal. The Commission should ignore any comments by Airis on our proposal as mere unfounded supposition. If Airis somehow obtained a copy of our RFP response in advance, we certainly have not been privy to theirs. If we had been given a copy of Airis' RFP response, we would have been happy to provide a critique on its merits. Without access to their RFP response, any comments we would offer on their response would be based on speculation, not evidence – the same as their comments on our proposal.

We appreciate your consideration and look forward to the foregoing being accurately reflected.

Very truly yours,



John T. Meyer

Senior Vice President,

Director of Airport Facilities Group

cc: Honorable Larry Mazolla, Vice President  
Honorable Linda S. Crayton  
Honorable Caryl Ito  
Honorable Michael S. Strunsky  
John L. Martin, Airport Director  
Gary Franzella, Associate Deputy Airport Director  
David S. Fries  
Ron Factor, Airis Corporation





**PRESENTATION TO THE BOARD OF COMMISSIONERS  
WEST FIELD CARGO REDEVELOPMENT PROJECT  
MICHAEL J. BROWN  
JOHN F. BROWN COMPANY, INC.  
JANUARY 30, 2003**

**INTRODUCTION**

Good morning. I am here today to present a report on the Review Panel process and on some of the issues associated with the two proposals before the Commission today. I would like to start with a brief overview of the Review Panel process and findings. Following that, I'll address some of the Business and Finance topics covered more fully in our report. After the Business and Finance section I'll conclude by discussing some of the issues presented in the Development and Operations section of our report. Most of the issues included in the report are fairly complex, and in the interests of brevity I may not speak to every aspect of each issue—my presentation this morning is intended more as a guided tour of the report than a detailed presentation and explanation of the contents.

**REVIEW PANEL PROCESS**

- The Airport Commission instructed Airport Staff to reconvene the West Field Cargo Project Review Panel and to invite presentations and conduct interviews with both AIRIS and AMB.
- I was asked to chair the process through to its conclusion, and to prepare a report on the Review Panel process and its findings.
- Three technical advisers were available to the Review Panel to answer questions in the areas of business and finance as well as development and operations.
- Presentations to the Review Panel were held on January 7, 2003. Each proposer was given as much time as it felt necessary to present its credentials and proposal.
- Following each presentation, the panel engaged the proposer in a question and answer session, then met as a panel to discuss the issues presented, and then questioned the proposer again to address any remaining need for expansion or clarification.
- Following the presentations and interviews of January 7, the Panel was convened by teleconference on two separate occasions for over two hours each to discuss the relevant issues and score the proposals. This process was completed on January 13, 2003.
- The Review Panel took the opportunity for additional review very seriously, and expended significant amounts of time in this effort.
- While four of the five members of the Review Panel continued to prefer AMB over AIRIS, the cumulative scores of the two proposers moved significantly closer together.



**Review Panel Preference: January 2003  
West Field Cargo Area Redevelopment**

	Preference	Average Score	LBE Pass/Fail
AIRIS	1	82.6	5/0
AMB	4	83.0	4/1

**Review Panel Preference: October 2002 vs. January 2003  
West Field Cargo Area Redevelopment**

	Preference			Average Scores			LBE	
	Oct.	Oct.	Jan	Oct.	Oct.	Jan.	Pass/Fail	
	6-person	5-person	5-person	6-person	5-person	5-person	Oct	Jan
AIRIS	1	1	1	72.5	72.2	82.6	6/0	5/0
AMB	5	4	4	84.5	84.8	83.0	6/0	4/1

**Review Panel Preference: October 2002 vs. January 2003  
West Field Cargo Area Redevelopment  
Average Scores**

	Development			Operations			Business and Finance		
	Oct	Oct	Jan	Oct	Oct	Jan	Oct.	Oct	Jan.
	6-person	5-person	5-person	6-person	5-person	5-person	6-person	5-person	5-person
AIRIS	22.2	22.4	26.2	14.2	14.0	16.4	36.2	35.8	40.0
AMB	25.3	25.8	25.2	16.0	15.8	15.6	43.2	43.2	42.2



## BUSINESS AND FINANCE

My remarks related to the Business and Finance aspects of the Project this morning will follow an ordering that's different from that in the report. I'll start by discussing the potential return to the Airport. That return depends on Project scheduling and occupancy, as well as on rental rates, so I'll cover those next. Then I'll discuss financing costs, and project costs before wrapping up Business and Finance with a discussion of the effects of higher costs on various parties. So because of this organization, through this part of my remarks we'll be skipping around to various tables and figures in the report and in our January 28 letter to Mr. Martin. I don't think it'll be too confusing, but I thought a warning might be useful.

### RETURN TO THE AIRPORT

- The table on page 17 of our report presents the revenues AIRIS' proposal is projected to pay to the Airport. These revenues consist of a minimum annual guarantee (MAG) calculated pursuant to the requirements of the RFP and a percentage rent calculated as 10 percent of net income after debt service.
  - This 12-year stream of revenue is equivalent to \$29.1 million when expressed in present value terms as of 2003, using a 6% discount rate.
  - AIRIS proposes to pay percentage rent to the Airport based on a revenue and cost sharing structure. The Airport would receive 10 cents in additional revenue for each incremental dollar of rental income, but would give up 10 cents in revenue for each incremental dollar of expense.
  - AIRIS' percentage rent is calculated *after* debt service and other project expenses.
- On page 18 of our report is a table that presents the revenues AMB's proposal is projected to pay to the Airport \$32.3 million. As with AIRIS', these revenues consist of a minimum annual guarantee calculated pursuant to the requirements of the RFP and a percentage rent. However, AMB's percentage rent is calculated as 8 percent of the gross rental income from tenants of new facilities.
  - This 12-year stream of revenue is equivalent to \$30.1 million when expressed in present value terms assuming only Phases I and II are constructed or \$32.3 million assuming all Phases are constructed.
  - AMB proposes to pay percentage rent to the Airport based on a revenue sharing structure but not a cost sharing structure. The Airport would receive 8 cents in additional revenue for each incremental dollar of rental income and would give up nothing for each incremental dollar of expense.
  - In 2015, even though AMB produces almost \$5 million less rental income than AIRIS, it would pay the Airport almost three times as much percentage rent. AMB's proposed rental structure accounts for this difference in revenue to the Airport.
  - AMB's percentage rent is calculated before debt service and other project expenses.



**Page 17 Table**  
**Project Revenues: AIRIS**  
**West Field Cargo Area Redevelopment**  
(in thousands)

Operating Year	Year-end In	MAG <sup>2</sup>	Percentage Rent	Total to Airport
	2003			
	2004	\$ 2,700	\$ -	\$2,700
	2005	2,781	-	2,781
1	2006	2,864	352	3,217
2	2007	2,950	390	3,341
3	2008	3,039	420	3,459
4	2009	3,130	432	3,562
5	2010	3,224	442	3,665
6	2011	3,321	455	3,775
7	2012	3,420	471	3,891
8	2013	3,523	486	4,009
9	2014	3,629	500	4,128
10	2015	<u>3,737</u>	<u>513</u>	<u>4,250</u>
		\$38,318	\$4,461	\$42,779
2003 PV at 6% <sup>1</sup>		\$26,230	\$2,871	\$29,100

Note 1 The Airport's cost of capital is about five percent. The selection of five percent or six percent, which amounts to a present value difference between the proposals of less than \$300,000 through 2015, would not materially change the presentation here.  
2 The MAG amounts shown for years 2004 and 2005 were not shown on the AIRIS pro forma but are included here on the assumption that after negotiation with the Airport, MAG payment and escalation will conform to the RFP.

**Page 18 Table**  
**Project Revenues: AMB**  
**West Field Cargo Area Redevelopment**  
(in thousands)

Operating Year	Year-end In	MAG <sup>1</sup>	Percentage Rent			Total to Airport		
			Phases I & II	Phase III	Phase IV	Phase I & II	Phase III	Phase IV
	2003							
	2004	\$ 2,700	\$ -	\$ -	\$ -	\$ 2,700	\$ 2,700	\$ 2,700
	2005	2,781	-	-	-	2,781	2,781	2,781
1	2006	2,864	267	-	-	3,131	3,131	3,131
2	2007	2,950	433	-	-	3,384	3,384	3,384
3	2008	3,039	591	68	-	3,630	3,699	3,699
4	2009	3,130	588	261	-	3,718	3,979	3,979
5	2010	3,224	609	282	93	3,833	4,115	4,208
6	2011	3,321	669	310	223	3,990	4,300	4,523
7	2012	3,420	713	330	238	4,133	4,463	4,701
8	2013	3,523	780	361	260	4,302	4,663	4,923
9	2014	3,629	766	355	255	4,395	4,750	5,005
10	2015	<u>3,737</u>	<u>820</u>	<u>380</u>	<u>273</u>	<u>4,558</u>	<u>4,937</u>	<u>5,211</u>
		\$38,318	\$6,236	\$2,347	\$1,342	\$44,555	\$46,902	\$48,244
2003 PV at 6%		\$26,230	\$3,917	\$1,390	\$758	\$30,147	\$31,536	\$32,294

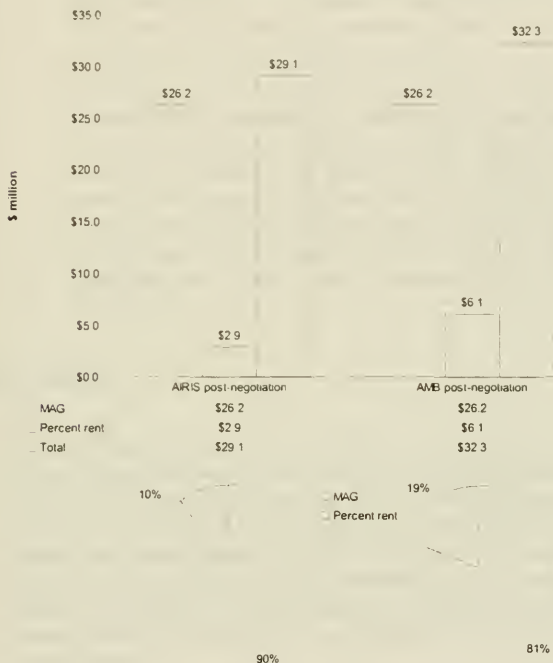
Notes Phase dates are taken from AMB Proposal, Section I.d Preliminary Project Schedule chart.  
1 The AMB proposal pro forma shows \$2.7 million in each of 2004 and 2005, with escalation starting in 2006. However, the values we present have been escalated starting in 2005 in conformance with the RFP on the assumption that after negotiation with the Airport, MAG payment and escalation will conform to the RFP.





- The bar charts on page 19 summarize the data in these tables. The pie charts below the bar charts show that the MAG represents a larger portion of revenues from AIRIS (90 percent) than from AMB (81 percent); however, as the tables and the bar charts show, AIRIS and AMB would both pay the same MAG under the RFP.

**Page 19 Charts**  
**2003 PV of Returns to Airports Through 2015**



## PROJECT SCHEDULE AND OCCUPANCY

- The AIRIS and AMB projections of rental income are predicated on several assumptions. The graphic on page 5 of our report is based on the proposers' development schedules and shows assumptions about the availability of new space and its occupancy.

  - The AIRIS proposal would deliver a 634,000-square foot building by February 2006 and rent 599,000 square feet by July 2006. The principal



question is whether demand for space in the Redevelopment Area will be strong enough to produce revenues sufficient to cover costs including operations and maintenance, the MAG payable to the Airport, and debt service on the Project.

- The AMB proposal would deliver 808,000 square feet of building area in four phases and rent 768,000 square feet by September 2010. AMB commits to build Phases I and II (450,000 square feet) by December 2006, and to construct Phases III and IV in response to market demand. The RFP states that phasing of development is negotiable, but an “outside date for completion of construction” is non-negotiable. Thus, AMB would have to complete all phases by some negotiated date.
- Assuming the City can enforce the terms of its contract with AMB related to the required completion of construction, then the question is the amount of revenues foregone by the Airport if AMB does not construct Phases III and IV fast enough to meet demand. As discussed above, the data would indicate that through 2015 Phases I and II are projected to produce approximately \$3.9 million of revenue to the Airport (in 2003 present value terms). Thus, a Phase III and IV construction delay that lags demand would not result in lower Airport revenues, relative to the AIRIS development.

## RENTAL RATES

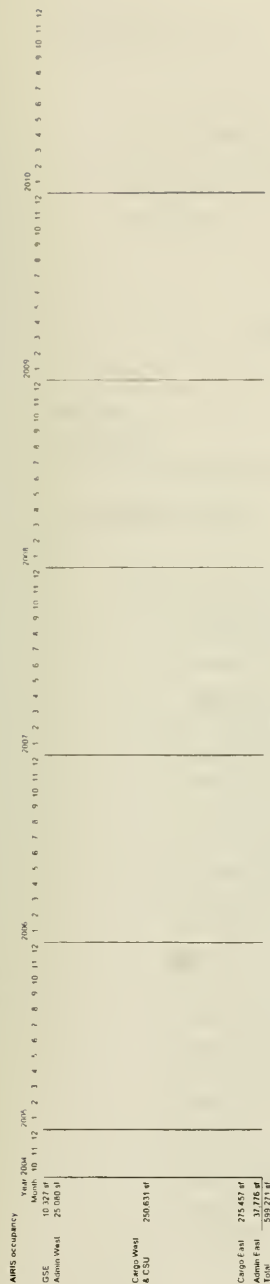
- We believe that it is not possible to directly compare the rental rates as presented in the respective proposals, so we prepared the reconciled rental rates table as shown in our January 28 letter to Mr. Martin. This table compares the proposers’ warehouse rental rates in 2002 and 2009. The table largely follows the presentation format offered by AIRIS in response to the Technical Data Request; however, the figures represent calculations based on our own understanding of the numbers. The top half of the table presents reconciled rates and the bottom half presents potential adjustments as recommended by AIRIS but restated to reflect our calculations.
- We conclude that, based on the cost, square footage, and escalation information in the proposals, the AIRIS warehouse rates would be higher than the AMB rates.

**Summary of Table from January 28<sup>th</sup> Letter  
Reconciled Warehouse Rental Rates Summary**

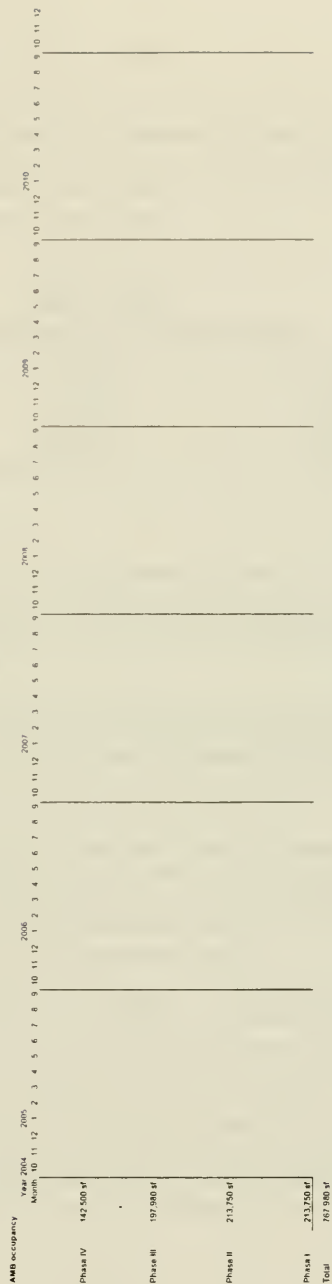
	2002	2009	Change 2002 - 2009
AIRIS	\$29.96	\$36.85	\$6.89
AMB	25.73	30.48	4.75
Difference	4.23	6.37	



# Occupancy Chart Westfield Cargo Area Redevelopment



Substantial completion / forecast occupancy is indicated for each project element by the color shaded cells below.





## PROJECT COSTS

- If you turn now to page 3 of our report, you'll find a table that lays out the Project costs associated with each proposal. The amounts in the table are in thousands of dollars. AIRIS' proposal includes construction and soft costs that are both higher than AMB's. For the construction component, this is due in part to a difference in foundation costs. I'll mention that again later.

**Page 3 Table  
Project Costs  
West Field Cargo Area Redevelopment**

	AIRIS	AMB
Construction costs	\$138,436	\$123,287
Soft costs	<u>31,425</u>	<u>23,210</u>
Project costs <sup>1</sup>	\$169,861	\$146,497

Notes. <sup>1</sup> Reconciled to Project Fund draws for each proposal.

## FINANCING COSTS

- The question of financing costs is a little more complicated.
  - AIRIS proposes a project finance structure, similar to the type it has used elsewhere, for the ability to "lock-in" long-term interest rates, which are currently at 25-year lows.
  - AIRIS did not indicate whether it has the interest in pursuing or the resources to pursue other financing approaches. Unlike in AMB's plan, it is highly likely that in AIRIS' plan bond insurance will be required in order to secure the financing necessary for the Project to proceed. The cost and terms of this insurance are largely unknown now.
  - AMB could use the same project finance structure proposed by AIRIS, but rejects it on the belief that it can finance more efficiently using another method. AMB believes that it can borrow (1) less money, (2) at lower interest rates during the construction and stabilization periods, and (3) at a smaller risk premium for the permanent financing.
  - In general, we believe the AMB approach should produce a lower all-in cost of financing. However, as AIRIS correctly points out and AMB acknowledges, there is an interest rate risk inherent in this approach. That occurs particularly when AMB converts from short- to long-term interest rates. At that time, the long-term rate may be so high as to offset some or all of the savings that might otherwise be produced. It is possible that the financing costs could even exceed the savings that might otherwise have been produced. AMB claims that it can effectively manage and hedge against this risk. If it can, it may be able to assure a lower all-in cost of financing.





- Although we believe AMB's approach should produce a lower all-in cost of financing, we also believe it is not possible to say *with certainty* which proposal would do so, except in retrospect.

## EFFECT OF HIGHER COSTS

- As I mentioned earlier, the two proposals are different in how they share Project revenue with the Airport. It is largely because of this that under the different proposals higher Project costs could have different effects on revenues going to the Airport.
- Higher costs could either (1) be covered by increasing subtenant rents, (2) be absorbed by reallocating existing Project revenues, or (3) some combination of the two.
- If higher costs are covered by increasing subtenant rents, then we see no significant direct effect on the Airport's revenues, although there may be indirect effects associated with related vacancy in the Project.
- If higher costs are absorbed by reallocating existing Project revenues, then under AIRIS' proposal, because of how it calculates percentage rent, the Airport's revenues would be reduced. This is what I meant when I described AIRIS' approach as a "revenue and cost sharing structure".
- Under AMB's proposal, again because of how AMB calculates percentage rent, the Airport's revenues would not be directly affected.



**Effect of Higher Costs**  
**AIRIS**

Effect on	Scenario 1: Rate increase to cover costs	Scenario 2: Revenue reallocation to absorb costs	Scenario 3: Rate increase <i>and</i> revenue reallocation
Subtenant with low price sensitivity	Subtenant must pay higher rent	No effect	Subtenant must pay higher rent, but smaller effect on subtenant than in Scenario 1
Subtenant with moderate price sensitivity	In absence of lower cost alternative, subtenant must pay higher rents	No effect	Subtenant motivation to leave SFO may vary with amount of increase, and price and availability of alternatives
Subtenant with high price sensitivity	Subtenant probably not on airport, but if so, may leave	No effect	Subtenant probably not on airport, but if so, may be less inclined to leave than in Scenario 1
Airport	No effect except through vacancy	Profits reduced directly	Profits reduced directly and possibly through vacancy
AIRIS	No effect except through vacancy	Profits reduced directly	Profits reduced directly and possibly through vacancy

**Effect of Higher Costs**  
**AMB**

Effect on	Scenario 1: Rate increase to cover costs	Scenario 2: Revenue reallocation to absorb costs	Scenario 3: Rate increase <i>and</i> revenue reallocation
Subtenant with low price sensitivity	Same as above	Same as above	Same as above
Subtenant with moderate price sensitivity	Same as above	Same as above	Same as above
Subtenant with high price sensitivity	Same as above	Same as above	Same as above
Airport	Same as above	No effect	No effect except through vacancy
AMB	Same as above	Profits reduced directly	Profits reduced directly and possibly through vacancy



## DEVELOPMENT AND OPERATIONS

In my presentation of Development and Operations issues this morning, I'll touch on security, aircraft parking positions, design constraints, and a few other issues.

### SECURITY

- Security is an anti-theft issue and an anti-terrorism issue. Anti-theft measures are subject to the discretion of the landlord. Anti-terrorism measures will be the purview of the TSA. In general, the two proposals take very different approaches to security.
- The AIRIS proposal focuses on building access points and site access points. The AMB proposal focuses on the building access points but not on site access points.
- The AIRIS proposal, therefore, appears to be better suited to guard against theft because it offers more in the way of site access security.
- In the absence of specifics about TSA regulations and the cost of compliance, we cannot determine which proposal is better suited to comply with the anti-terrorism regulations that TSA might promulgate. Both firms orally acknowledge the need to accommodate changes that may be required by evolving TSA regulations, and both firms indicate a commitment to meet security requirements of tenants and the federal government.
- The AIRIS proposal advocates a centralized approach to security whereas the AMB proposal does not.
- Thus the two proposals take different approaches to security. You can get a sense of that difference from the table on page 36 of our report. These are the proposers' tables—from their proposals—but are not comprehensive. AIRIS is more detailed and inclusive in its coverage of security matters. AIRIS estimates that its project costs include about \$4 million for security, whereas AMB estimates its project costs include about \$2 million. As discussed in our reconciled rental rates analysis, we estimate that the effect of the \$2 million difference on rental rates for warehouse space is approximately \$0.21 per square foot.



**Page 36 Table**  
**Comparison of Proposers' Listed Security Inclusions and Exclusions**  
**West Field Cargo Area Redevelopment**

<b>Included</b>	
<b>AIRIS</b>	<b>AMB</b>
Six (6) SMS Client Monitoring Workstations	Chain link AOA fencing
500 Door Position Monitoring	Vehicle access control
200 Interior Volumetric Detection	Steel rollup security grills on the land side [sic]
50 Local Door Management Alarm	Tenant provided internal security system <sup>1</sup>
200 Access Control Card Reader Points	
400 Color Closed Circuit Televisions [sic]	
Camera Locations (200 fixed and 200 pan/tilt/zoom)	
30 Hardwired Audio Communication Locations	
Equipment Racks and Console Bays	
<b>Excluded</b>	
<b>AIRIS</b>	<b>AMB</b>
Conduit	CCTV cameras
120VAC Power	Employee screening check points
Interfaces to Other Building Systems	Automatic vehicle license plate reader at ramps
Telephone and LAN Requirements	Cargo screening system (75 feet by 125 feet plus a 300 square foot control booth)
Security Door Hardware	Infrared perimeter intrusion detection beams
Video Imaging System	
Screening Equipment (X-Ray, Metal Detection, etc.)	

Source: AIRIS and AMB October 10, 2002 proposals.

Note: 1. It is unclear to us what it means that project cost includes a "tenant provided internal security system."

## **AIRCRAFT PARKING POSITIONS**

- In our letter to Mr. Martin dated January 28, we include a chart that shows the number and types of aircraft that can be accommodated under each proposal through time.
- The RFP required at least one wide-body position, but that was premised on a single story warehouse development. The proposals essentially doubled the warehouse space that the site was envisioned to support, thus creating a complementary need for additional wide-body capacity.
- The AIRIS proposal includes three wide-body positions including one with CAT VI capability (assuming the pavement is strong enough) commencing January 2006 upon construction completion. For both proposals, parking capacities during construction not indicated in the proposals and are thus unclear.





SFO West Field Cargo Area Redevelopment  
Proposed Aircraft Parking

AIRIS

2004			2005			2006			2007			2008			2009			2010			Future
Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	
Not specified																					6 Cat V

1 Cat VI  
2 Cat V

Construction

Category V aircraft (747-400)

Category VI aircraft (A380) assuming sufficient ramp strength

2 Cat VI

4 Cat V

AMB

2004			2005			2006			2007			2008			2009			2010			Future
Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	Mar	
Not indicated																					3 Cat V

3 Cat V

2 Cat V

1 Cat V

2 Cat IV

1 Cat IV

3 Cat IV

Construction

Category V aircraft (747-400)

Category IV aircraft (757-200)

November 26 letter

AMB Alternative #1

6 Cat V

2 Cat V

2 Cat IV

AMB Alternative #2

6 Cat V

3 Cat V

1 Cat IV

Wingspan

118 up to (but not including) 171 feet

171 up to (but not including) 214 feet

214 up to (but not including) 262 feet

Category

Cat IV

Cat V

Cat VI



- The AMB proposal includes three wide-body positions (none with CAT VI capabilities) beginning December 2004. The number of wide-bodies declines to two in March 2008 and to one by December 2009. At all times, however, there is parking for at least three aircraft in total.
- The AIRIS layout promotes efficient cargo handling in the view of the Technical Advisor, whereas the angled parking in the AMB layout is somewhat less efficient.

## DESIGN CONSTRAINTS

- AIRIS claims that the AMB design does not work within the constraints of the site.
- The Technical Advisor believes that the design may indeed be problematic, particularly if the setback from the nose of the aircraft to the face of the building conforms to the standard 50-foot setback. The Technical Advisor also believes that a solution, if any is required, may involve a reduction either in cargo building area or in the landside and airside operations areas of the Project.
- We note this as a potentially relevant issue, but we are not equipped to frame it more fully.

## LANDSIDE OPERATIONS

- The proposals employ different entrance and exit strategies to the Project site.
  - AIRIS proposes a single vehicle entrance and two vehicle exits. It proposes to staff and check vehicles, and states that staffing costs are included in the proposal.
  - AMB proposes four lower level vehicle entrances and four lower level vehicle exits. Lower level vehicle entrances and exits are unmonitored granting private vehicles as well as trucks open access to the truck docks.
  - AMB also proposes one upper level vehicle entrance and one upper level vehicle exit. Vehicle access to the upper level is gated though not staffed. In the opinion of the Technical Advisor, this could be a problem when a truck arrives that does not have an access code or card, and could cause backups at peak times.



## CONCLUSION

[The following conclusion was omitted from Mr. Brown's oral presentation to the Commission.]

In concluding my remarks, I'd like to make two brief points, one obvious, the other perhaps less so.

- First, and obviously, the proposals are different. This is a good thing and is one of the intended outcomes of the RFP process. The fact that the Commission has before it this choice is an indicator of the success of Airport Staff in managing the process to this point.
- Second, the proposals are complex so it seems worth mentioning that when you select one of these proposals, you are not only selecting a project to be developed but perhaps more importantly also a business partner for many years to come.

Thank you.





JOHN F BROWN COMPANY  
AIRPORT MANAGEMENT CONSULTANTS

January 28, 2003

Mr. John L. Martin  
Airport Director  
San Francisco Airport Commission  
P.O. Box 8097  
San Francisco, CA 94128

RE: Redevelopment of the West Field Cargo Area

Dear Mr. Martin:

This letter transmits (1) a revised table comparing sources and uses of bond funds, (2) a revised table comparing rental rates, and (3) a new graphic depicting aircraft parking positions in the respective proposals.

We adjust the table found on page 13 of the report with the revised table comparing sources and uses of funds under the AIRIS and AMB proposals. Specifically, the AMB column in the table has been revised to show (1) interest earnings on the Construction and Capital Interest accounts as a source of funds (\$4.334 million) and (2) gross capitalized interest as a use of funds (an additional \$4.334 million). The revised table enhances the comparability of the AIRIS and AMB financing plans by expressing the AMB sources and uses figures in gross, rather than net, terms.

We propose to correct the table found on page 26 of the report with the revised table comparing rental rates under the AIRIS and AMB proposals. The revised table corrects an error in the escalation of the base and ramp rental rates for AMB. The period of escalation (at 3.0 percent) until 2009 should have included another year. As a consequence, the AMB column in the table has been revised to increase the base rent in 2009 and the ramp rent in 2009. The overall effect on rates is to increase the reconciled rental rate for AMB by 55 cents. The revised table corrects our error.





Mr. John L. Martin  
Airport Director

-2-

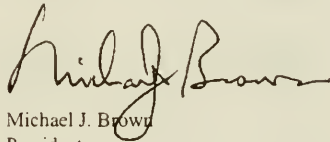
January 28, 2003

The new graphic depicting aircraft parking positions is intended to clarify the number of aircraft parking positions available under each proposal and the timeframes for which these positions are available to the Project. This graphic does not modify the information presented in the report.

We apologize for any inconvenience these changes may cause.

Sincerely,

JOHN F. BROWN COMPANY, INC.

A handwritten signature in black ink, appearing to read "Michael J. Brown". The signature is fluid and cursive, with the first name "Michael" and last name "Brown" clearly distinguishable.

Michael J. Brown  
President

Enclosures

cc: Gary Franzella  
Technical Advisors





# Source and Uses of Funds

(in thousands)

	AIRIS	AMB
Sources of Funds		
Bond proceeds	\$ 231,710	\$ 161,576
Interest earnings	<u>10,594</u>	<u>4,334</u>
Total Sources	<u>\$ 242,304</u>	<u>\$ 165,910</u>
Uses of Funds		
Project Costs	\$ 169,861	\$ 146,497
Capitalized interest	32,911	16,850
Deposit to Debt Service Reserve	22,000	-
Bond insurance	13,873	-
Cost of issuance	<u>3,660</u>	<u>2,563</u>
Total Uses	<u>\$ 242,304</u>	<u>\$ 165,910</u>



# Warehouse Reconciled Rental Rates West Field Cargo Area Redevelopment

	AIRIS		AMB	
	2002	2009	2002	2009
Base rent	\$ 24.02 <sup>1</sup>	\$ 29.54	\$ 15.00	\$ 17.91 <sup>16</sup>
Ramp	included <sup>11</sup>	included	0.70 <sup>2</sup>	0.84 <sup>14</sup>
MAG	included	included	3.34	3.87 <sup>17</sup>
Percentage rent	included	included	1.42	1.38 <sup>13</sup>
O&M (includes mgmt. fee and ins.)	2.04	2.51	1.37	1.68
Administrative markup	n/d <sup>8</sup>	n/d <sup>8</sup>	- <sup>7</sup>	- <sup>7</sup>
Taxes	2.03	2.50	2.03	2.50
Utilities	1.87	2.30	1.87	2.30
Tenant improvements	unknown <sup>9</sup>	unknown <sup>9</sup>	included <sup>10</sup>	Included <sup>10</sup>
<b>Reconciled rental rate</b>	<b>\$ 29.96</b>	<b>\$ 36.85</b>	<b>\$ 25.73</b>	<b>\$ 30.48</b>
Potential adjustments to rental rates <sup>15</sup>				
Reconciled rental rate	\$ 29.96	\$ 36.85	\$ 25.73	\$ 30.48
Security cost	<u>included</u>	<u>included</u>	<u>0.21</u> <sup>3</sup>	<u>0.21</u> <sup>3</sup>
Subtotal			25.94	30.69
Foundation cost	<u>included</u>	<u>included</u>	<u>1.10</u> <sup>4</sup>	<u>1.10</u> <sup>4</sup>
Subtotal			27.04	31.79
MHS accommodation allowance	<u>included</u>	<u>included</u>	<u>0.31</u> <sup>5</sup>	<u>0.31</u> <sup>5</sup>
Subtotal	29.96	36.85	27.35	32.10
Aircraft turning credit	<u>(1.85)</u> <sup>6</sup>	<u>(2.28)</u> <sup>12</sup>	<u>(1.46)</u> <sup>6</sup>	<u>(1.80)</u> <sup>12</sup>
Potential rental rate	\$ 28.11	\$ 34.57	\$ 25.89	\$ 30.30

Notes n/d=not determined

1 See Appendix G, Analysis 1

2 See Appendix G, Analysis 2a

3 See Appendix G, Analysis 3

4 See Appendix G, Analysis 4

5 See Appendix G, Analysis 5

6 See Appendix G, Analysis 6a

7 AMB's proposal. Section 3.a.i

8 In Section 3.a.i of their proposal, AIRIS had "not yet determined whether a property management markup fee will be assessed to cover ordinary administrative overhead." In their TDR response, the absence of such a markup and the use of the label "Total Rent per Square Foot" suggests AIRIS will not assess a markup.

9 In Section 3.a.vi of their proposal, AIRIS indicates that a TI allowance of \$25 psf is included in their office rental rates. We found no mention of a TI allowance related to their warehouse areas.

10 In Section 3.a.vi of their proposal, AMB indicates that a blended rate of \$6.50 psf for office spaces and \$0.80 psf for industrial spaces is included in their minimum base rent. The blending refers to the combination of new and renewing tenants (70 percent renewal assumed).

11 In the AIRIS Pro Forma, the Apron Rent line of Revenues shows zeros in each year. A possible interpretation is that AIRIS rental rates for building space include aircraft ramp rent. However, it does not necessarily follow that they are included. Note that the RFP's Attachment X does not include the Apron Rent line and there is no requirement in the RFP for inclusion of such a line. It might therefore be argued that the AIRIS proposal shows that AIRIS intends to charge no apron rent. This seems unlikely, however.

12 See Appendix G, Analysis 6b

13 This is calculated as \$848,944 percentage rent in 2009 (Year 6) divided by 95 percent of 649,717 square feet (that is, 617,231 sf). The 95 percent is the occupancy level projected by AMB. See Appendix D, Analysis 7.

14 See Appendix G, Analysis 2b.

15 These adjustments assume that the indicated items are not already covered by the base market rental rate.

16 This rental rate reflects six years of escalation at three percent per annum, as per AMB's proposal pro forma.

17 The MAG is shown here escalated at three percent per annum for five years. As noted elsewhere in this report, the RFP requires the MAG to be escalated at the CPI starting in the second year of the Construction Term.

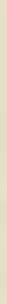
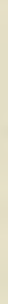
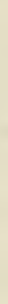


**SFO West Field Cargo Area Redevelopment  
Proposed Aircraft Parking**

## AIRIS

[illegible]

	1 Cat. VI	2 Cat. V
Not specified		

Construction	Category V aircraft (747 400)	Category VI aircraft (A380) assuming sufficient ramp strength	2 Cat. VI
			

Category VI aircraft (A380) assuming sufficient ramp strength	2 Cat VI	4 Cat V
1	1	1
2	2	2
3	3	3
4	4	4
5	5	5
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100	100	100

AMB

[illegible]

	Not indicated	3 Cat. V	2 Cat. V	1 Cat. V 2 Cat. IV	3 Cat. IV
Not indicated					
3 Cat. V					
2 Cat. V					
1 Cat. V 2 Cat. IV					
3 Cat. IV					

Construction	Category V aircraft (747-400)	Category IV aircraft (757-200)	November 26 letter
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AMB Alternative #1

6 Cat V

AMB Alternative #2 6 Cat V

Cat. IV	118 up to (but not including) 171 feet	3 Cat. V
Cat. V	171 up to (but not including) 214 feet	
Cat. VI	214 up to (but not including) 262 feet	1 Cat. IV





# MEMORANDUM

---

DATE: January 30, 2003

TO: AIRPORT COMMISSION

Hon Henry E. Berman, President  
Hon Larry Mazzola, Vice President  
Hon Michael S. Strunsky  
Hon Linda S. Crayton  
Hon Carol Ito

FROM: Airline Liaison Office

SUBJECT: West Field Cargo Area Redevelopment Project

This letter is written on behalf of the San Francisco Airline Airport Affairs Executive Committee (including Northwest Airlines, United Airlines, Delta Air Lines, and Continental Airlines) (hereinafter referred to as the Airlines) to follow up on their November 19<sup>th</sup> letter to the Airport Commission and to once again call on the Commission to approve the selection panel (hereinafter referred to as the Panel) majority opinion and enter into negotiations with AMB for the West Field Cargo Redevelopment Project. After revisiting all of the factors important in the selection of the best developer for this Project, the Panel has now twice selected AMB as the preferred team. Given these facts, the Airlines believe that it is now time for the Commission to approve negotiations with AMB.

All analyses conducted by the Airport and the Airport's consultant conclude that the AMB proposal would result in lower rental rates to the Airlines while producing a higher return to the Airport. Both of these benefits would be accomplished at no greater risk to the Airport.

In addition, of particular concern to the Airlines is the financing approach proposed by Airis. The Airlines understand that the Airis project financing approach would require the Airlines to enter into long-term leases for a significant part of the new facility prior to bonds being issued. Several current and prospective West Field Cargo Area tenant Airlines have indicated that they may not be able to enter into the required long-term lease commitments given the current economic condition of the airline industry and without knowing the full cost and business term implications of the Project prior to entering into such agreements. The immediate construction of the entire facility would also make it particularly difficult for Airis to pre-lease the portion of the new facility required to obtain financing. The Airlines understand that without the ability to pre-lease the Project, the bonds required by the Airis financing plan could not be sold making this approach unworkable.



In contrast, the financing approach for the phased development proposed by AMB uses a letter of credit to address the financial risk of the Project and does not require the Airlines to enter into leases until much later in the development of the Project when all costs and business terms could be defined. Under this approach, the Airlines would also have the ability to enter into short-term leases rather than the longer-term leases likely required by the Airis financing approach.

Accordingly, the Airlines respectfully request that the Commission approve the Panel's selection of AMB. If the Commission does not adopt the Panel's selection, it should be noted that the Airlines intend to voice their position on this matter to the Board of Supervisors.

The Airlines would like to thank you for considering their views on this matter. In addition, the Airlines would again like to offer to meet with the Commission regarding this issue. If you would like to meet with the Airlines, the Airline Liaison Office can arrange such a meeting at your convenience.

cc: John Martin -- SFIA  
Gary Franzella -- SFIA  
Current and Prospective West Field Cargo Area Tenant Airlines



# SAN FRANCISCO AIRPORT COMMISSION



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## MINUTES

**FEBRUARY 18, 2003**

9:00 A.M.



**ROOM 400 - CITY HALL  
400 VAN NESS AVENUE  
CITY AND COUNTY OF SAN FRANCISCO**

**WILLIE L. BROWN, JR., MAYOR**

## COMMISSIONERS

**HENRY E. BERMAN**  
President

**LARRY MAZZOLA**  
Vice President

**MICHAEL S. STRUNSKY**

**LINDA S. CRAYTON**  
**CARYL ITO**

**JOHN L. MARTIN**  
Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT  
SAN FRANCISCO, CALIFORNIA 94128**



Minutes of the Airport Commission Meeting of  
February 18, 2003

CALENDAR SECTION	AGENDA ITEM	TITLE	RESOLUTION NUMBER	PAGE
A.		CALL TO ORDER:		3
B.		ROLL CALL:		3
C.		ADOPTION OF MINUTES:		
		Special Meeting of January 30, 2003	03-0017	3
D.		ANNOUNCEMENT BY SECRETARY :		3
E.		SPECIAL ITEM:		
	1.	Retirement Resolution - Allen Duvauchelle	03-0018	3-4
	2.	Retirement Resolution - Margaret Li	03-0019	4
F.		ITEMS INITIATED BY COMMISSIONERS:		
		Energy Saving Programs		4
G.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	3.	Award Contract 3562 - Runway 1R-19L Overlay and Reconstruction - Granite Rock Company, dba Pavex Construction	03-0020	4-5
	4.	Modification No. 5 to Contract 5706A - AirTrain Domestic Terminal Stations - Dennis J. Amoroso Construction Co.	03-0021	5
	5.	Bid Call - Contract 8235B - As-Needed General Construction for Domestic Terminals Food & Beverage Redevelopment	03-0022	5
	6.	Bid Call - Contract 8235C - As-Needed Mechanical and Utilities Work for Domestic Terminals Food & Beverage Redevelopment	03-0023	6
	7.	Bid Call Contract 8235D - As-Needed Electrical Utilities Construction for Domestic Terminals Food & Beverage Redevelopment	03-0024	6
H.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		





8.	Bid Call - Contract 4083 - Boarding Area D Apron Rehabilitation	03-0025	6
9.	Award Terminal 3 Specialty Retail Store Lease	03-0026	6-7
10.	Authorization to Solicit Proposals for an Issuing and Paying Agent in Connection with the Airport's Commercial Paper Program	03-0027	7
11.	Modification No. 1 (Closeout) to Contract 3479 - Taxiways A & B Reconstruction, Taxiway F Extension - Granite Rock Construction, dba Pavex Construction	03-0028	7
12.	Modification No. 9 -SFO Shuttle Bus Contract	03-0029	7-8
13.	Supplemental Noise Funding Agreement to Insulate a Private School in the County of San Mateo	03-0030	8
I.	NEW BUSINESS:		
	RFQ for door-to-Door Vans		8-11
J.	CORRESPONDENCE: 11		
K.	CLOSED SESSION: 11-12		
	Pending Litigation:	Michael Gill v CCSF CCSF v Tutor-Saliba CCSF v William D. Spencer, Spencer & Son, Inc. CCSF v Scott Co. of Calif.	03-0031
	Potential Litigation		.
L.	ADJOURNMENT: 12		



# AIRPORT COMMISSION MEETING MINUTES

February 18, 2003

## A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 8:45 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

## B. ROLL CALL:

Present: Hon. Larry Mazzola, Vice President  
Hon. Michael S. Strunsky  
Hon. Linda S. Crayton

Absent: Hon. Henry E. Berman, President  
Hon. Caryl Ito

\* \* \*

Mr. Jackson Wong, Acting Airport Director introduced Mr. Rob Maerz as the Airport's new General Counsel.

The Commission welcomed Mr. Maerz.

\* \* \*

## C. ADOPTION OF MINUTES:

The minutes of the special meeting of January 30, 2003 were adopted unanimously.

No. 03-0017

\* \* \*

D. ANNOUNCEMENT BY SECRETARY: In accordance with the Brown Act, Jean Caramatti, Commission Secretary announced unanimous adoption of Resolution No. 03-0016 settlement of unlitigated Owner Controlled Insurance Program Builders' Risk claim of Dennis J. Amoroso Construction Co. at the closed session of January 30, 2003.

\* \* \*

## E. SPECIAL ITEM:

Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner



Mazzola. The vote to approve was unanimous.

1. Retirement Resolution for Mr. Allen Duvauchelle

No. 03-0018

Resolution thanking Mr. Allen Duvauchelle for 22 years of faithful service and offering him best wishes for a long and fruitful retirement.

Mr. Wong said that Mr. Duvauchelle has worked for the Airport for 22 years as a Stationery Engineer at the Sewage Treatment Plant. We wish Mr. Duvachelle well in his retirement.

Item No. 2 was moved by Commissioner Strunsky and seconded by Commissioner Mazzola. The vote to approve was unanimous.

2. Retirement Resolution for Margaret Li

No. 03-0019

Resolution thanking Margaret Li for eleven (11) years of faithful service and best wishes for a long and fruitful retirement.

Mr. Wong said that Mrs. Li has worked for the City for 11 years, eight of which have been at the Airport as a chemist at the Sewage Treatment Plant. We wish Ms. Li well in her retirement.

\* \* \*

F. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Strunsky suggested staff take a look at reducing energy costs during periods of low activity.

Mr. Wong explained that during the energy crisis our Facilities Operations and Maintenance division instituted a program to reduce energy use. We should probably revisit that program and report back to the Commission.

\* \* \*

G. ITEMS RELATING TO ADMINISTRATION, OPERATION & MAINTENANCE

Item No. 3 was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

3. Award of Contract No. 3562 - Runway 1R-19L Overlay and Reconstruction Granite Rock Company, dba Pavex Construction - \$10,398,925

No. 03-0020

Resolution awarding Contract 3562, Runway 1R-19L Overlay and Reconstruction, to the lowest responsive, responsible bidder, Granite Rock



Company, dba Pavex Construction, in the amount of \$10,398,925.

Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance said that this contract extends the shoulders of the runway, and overlays, reconstructs and replaces the lighting system.

Commissioner Mazzola asked if the runway will have to be closed.

Mr. Eavis responded that it will have to close for 75 days, however, work will be scheduled so that it can be at times, if necessary. The best way to handle the work is to close down the runway and get the work done.

Item No. 4 was moved by Commissioner Mazzola and seconded by Commissioner Strunsky. The vote to approve was unanimous.

4. Modification No. 5 to Contract No. 5706A - AirTrain Domestic Terminal Stations  
Dennis J. Amoroso Construction Co., Inc. - \$805,000

No. 03-0021 Resolution approving an increase to Contract No. 5706A, AirTrain Domestic Terminal Stations, Dennis J. Amoroso Construction Co., Inc., in the amount of \$805,000, for a new contract value of \$35,393,175. Funding will be provided from existing project budget with no impact to the Master Plan Budget.

Mr. Eavis explained that this will be the next to last modification for this contract. The modification is for various structural work that had to be done at the AirTrain stations to move up the schedule.

The final modification will close out the contract. The work is 99.9% complete.

Item Nos. 5, 6 and 7 were called together. The items were moved by Commissioner Strunsky and seconded by Commissioner Mazzola. The vote to approve was unanimous.

5. Bid Call - Contract No. 8235B - As Needed General Construction for Domestic  
Terminals Food & Beverage Redevelopment

No. 03-0022 Resolution approving the scope, budget, and schedule for Contract No. 8235B, As-Needed General Construction, Domestic Terminals Food & Beverage Redevelopment, and authorizing the Director to call for bids when ready.

Mr. Eavis explained that these three as-needed contracts will work in concert with the Food and Beverage replacement work that is being done in house.





6. Bid Call - Contract No. 8235C - As-Needed Mechanical and Utilities Work for Domestic Terminals Food & Beverage Redevelopment

No. 03-0023                      Resolution approving the scope, budget, and schedule for Contract 8235C, As-Needed Mechanical and Utilities Work, Domestic Terminals Food and Beverage Redevelopment, and authorizing the Director to call for bids when ready.

7. Bid Call - Contract No. 8235D - As Needed Electrical Utilities Construction Domestic Terminals Food & Beverage Redevelopment

No. 03-0024                      Resolution approving the scope, budget, and schedule for Contract No. 8235D, As-Needed Electrical Utilities Construction, Domestic Terminals Food & Beverage Redevelopment, and authorizing the Director to call for bids when ready.

\* \* \*

H. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 8 through 13, was moved by Commissioner Strunsky and seconded by Commissioner Mazzola. The vote to approve was unanimous.

8. Bid Call - Contract No. 4083 - Boarding Area 'D' Apron Rehabilitation

No. 03-0025                      Resolution approving the scope, budget, and schedule for Contract 4083, Boarding Area 'D' Apron Rehabilitation, and authorizing the Director to call for bids when ready.

Commissioner Strunsky assumed that this is in the old International Terminal area.

Mr. Eavis responded that it. This project will relevel the taxi lanes in the apron area, as well as set up various aircraft parking positions.

Commissioner Strunsky asked why we would do it now.

Mr. Eavis responded that we want to do this work now because the Federal funding we received for this work must be returned if it is not used within four years. This is the best time to do it because there is no one in the terminal.

9. Award of Terminal 3 Specially Retail Store Lease



Commissioner Strunsky said that he was glad to see Brookstone here. It's great browsing.

10. Authorization to Solicit Proposals for an Issuing and Paying Agent in Connection with the Airport's Commercial Paper Program

No. 03-0027

Resolution authorizing staff to solicit proposals for an Issuing and Paying Agent in connection with the Airport's Commercial Paper Program.

11. Modification No.1 (Closeout) to Contract No. 3479 - Taxiways 'A' & 'B' Reconstruction, Taxiway 'F' Extension - Granite Rock Construction, dba Pavex Construction - \$292,013.45

No. 03-0028

Resolution approving Modification No.1 to Contract 3470, Taxiways 'A' & 'B' Reconstruction, Taxiway 'F' Extension, in the amount of \$292,013.45 for a contract closeout with Granite Rock Construction, dba Pavex Construction.

12. Modification No. 9 - SFO Shuttle Bus Contract

No. 03-0029

Modification No. 9 will amend the SFO Shuttle Bus Contract Faithful Performance Bond Requirement from \$1,500,000 to \$1,000,000, and increase budget by \$84,000 to \$6,118,196 for FY 2002/2003 for additional liability insurance for 10 former Rental Car shuttle buses to be used for Airport emergency bus service.

Commissioner Crayton did not understand why the bond was being lowered.

Mr. Wong assumed that the cost of the bond is going down because their scope of work is being reduced.

Ms. Alice Sgourakis, Landside Operations, agreed that that is part of the reasons however, SFO Shuttle Bus has been working at the Airport for the past 26 years and they have been an excellent service provider. The cost of obtaining bonds has increased dramatically. They are asking for this reduction in order to help them in getting a letter of credit, which is less costly than a surety bond.

At any given time we have outstanding invoices from them for \$750,000 or so, as well, so that is additional insurance that we have in terms of their service



provisions.

13. Supplemental Noise Funding Agreement to Insulate a Private School in the County of San Mateo

No. 03-0030

Resolution authorizing a supplemental Noise Funding Agreement not to exceed \$1.25 Million with the County of San Mateo for noise insulation of the Islamic Society Elementary School in unincorporated San Mateo County.

\* \* \*

I. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Mr. Tony Ruiz and Mr. Gerry Genese.

Mr. Genese, representing Lorries, said that he would like to give his time to Kurt Shoberg, also representing Lorries.

Mr. Kurt Sjoberg, former California State auditor and an expert in public contracting, explained that Lorries asked him to assist them in reviewing an RFQ for shuttle services which is coming due toward the end of the month.

The RFQ mandates that shuttles eventually be converted to natural gas fired burning engines, requiring an investment of about \$32,000 for every one of Lorries 27 owner-operators.

It also increases the trip loop fees to \$6.00 and establishes a single rate fare for serving certain areas of the City, whether a hotel or a residence, and reconfigures the boarding zones throughout the Airport terminals.

A briefing report was provided earlier to the Commission.

Based on these issues, Lorries and their 27 owner-operators are requesting a delay of the RFQ. The current economic situation that the shuttle operators are facing, makes this RFQ ill-timed because of the investment demands and cost increases.

The owner-operators are a hard working group, earning a modest income of about \$36,800 per year, 40% below the average San Franciscan's salary. Sixty-eight percent rent homes. They are ethnically diverse; one half are persons of color. They have about three dependents. They are not wealthy and do not have much disposable income.



There are six issues related to the request to delay ... The conversion to natural gas will require an investment of about \$34,300 for each of the owner operators. Most of their current fleet would exceed four years, so these investments would be imminent. The four year fleet rotation cycle does not track with economic replacement cycles, nor the term of most leases or purchases that would accompany this kind of purchase. Large investments like this favor large companies. Smaller, thinly financed owner-operators will pay higher rates than larger companies will and who will also face better terms. It would take about 20 additional passengers per shift just to make the van payments. Loop fees are also being increased to \$6.00 for about a 28% increase over what Lorries currently pays. Lorries will bear the full burden of the increase, which is about \$1.20 per loop, or just short of \$60,000 a year in additional costs. Lorries will need the profits from approximately 1,000 additional passengers per month just to break even on the increase in loop fees.

The single fare rate structure ... a residence customer will take multiple stops to fill the van, whereas in a hotel, one or two stops might fill the entire van, yet the costs are supposed to be held the same.

Unlike most any other industry or business, volume or repeat customers cannot be given discounts. Contracts with hotels will be invalidated by this single rate structure.

All of this comes at a time when shuttle revenues have been reduced significantly. They are at about 24% below pre-9/11 levels.

If near term recovery was a little clearer, perhaps this RFQ would make sense. The recession in San Francisco and Silicon Valley does not appear to be quickly recovering.

There has also been discussion about increasing vehicle license fees which would be a cost that owners-operators would bear.

The impact BART will have on shuttle operators has not been fully determined.

Finally, the RFQ proposes a single boarding zone as opposed to the current three zones, raising issues of prioritization, waiting times, rotation, handling of pre-paid vouchers, the impact of different fares on passengers arriving at the boarding zone. Implications of a single boarding zone are not discussed or described in the RFQ.

Lorries and its 27 owner-operators request a postponement for a period of time to a more favorable economic circumstance where they may be able to build some investment and savings to be able to address these costs. Any delay would also allow SFO the opportunity to research the implications of these issues. A delay would not lead to the inability to serve SFO with natural gas fired vehicles. By 2005 a multitude of the fleet could be converted. It would also assure that smaller operators continue to serve SFO's clientele.

Commissioner Strunsky noted that Mr. Sjoberg's request would not affect the submission of qualifications, assuming that this request involved a delay in implementing the plan. As he understands it, the Airport is just asking for qualifications to create a list of potential companies.







Mr. Sjoberg said that the problem in responding to an RFQ when it is uncertain what the pace of conversion to natural gas would be, the implication of a \$6.00 loop fee, would a larger shuttle operator be able to control a single zone and thus draw more business, or, the implications of invalidating current contracts with hotels because of multiple rates. These issues must be assessed by the applicant. On the one hand it could be a delay of implementation, it also calls for setting rates.

Some of these unknowns place potential permittees in a very difficult position of estimating what some of these things will be.

Mr. Julio Bonilla, Vice President of Lorries Airport Service, said that they introduced the airport shuttle concept in San Francisco 27 years ago and they have been at the podium many times since then, always supporting the Airport's visions, objectives and goals.

They are not at odds with the Airport's vision now. Lorries believes in clean air and the ADA. His brother is paralyzed from the chest down and uses a wheel chair to get around so he understands ADA issues.

On September 11 when jetliners were used as weapons, they were placed at ground zero of the economic impact of the travel industry's demise. The days before 9/11 were good; today they are not. One third of their business evaporated. Twenty-four percent of their business is still gone. They have cut and cut and returned equipment ... their mid-sized buses were all returned.

To ask their owner-operators to replace their vehicles, and to increase their loop fees makes it very difficult, if not impossible, to even submit a response to the RFQ.

They were proud to introduce airport shuttle service to the State of California at SFO and they want to remain there as responsible operators for many years to come. But they need better economic conditions.

He asked the Commission to delay this.

Commissioner Crayton asked if their concerns were communicated to Airport staff.

Mr. Bonilla responded that the only opportunity to communicate their concerns was at the pre-proposal conference.

Commissioner Mazzola asked if the conference could be reconvened to respond to some of these concerns.

Ms. Sgourakis responded that we don't have time because we like to give the operators two weeks notice before we convene. She is in the process of preparing a response to some of the concerns, some of which are misstatements that can be clarified in a memo to the Commission.

She said that regarding Commissioner Strunsky's comment that the qualifications process should not be delayed, it is always up to the Commission to decide what the next step will be.



Commissioner Strunsky asked if we were asking for a bid.

Ms. Sgourakis responded that we were only asking for specific qualifications.

The incremental cost of the CNG vehicles would be borne by our grant from the Bay Area Air Quality Management District, so, in effect, the new vehicles should not cost the operators any more than a diesel powered vehicle. Nor are we asking them to overhaul their fleet immediately, that is not the case. The existing permit provides for a waiver, and as long as their vehicles meet Airport inspections, we will grant their request to continue to operate vehicles older than four years.

The \$6.00 trip fee is an estimate that was placed in the RFQ to give them an idea of how much curb coordination cost would be in addition to an unsubsidized trip fee by the Airport. We have been subsidizing their trip fees by about 40% for years. Given the Airport's economic condition, we feel we need to gradually get the operator to pick up the unsubsidized cost.

The single rate structure is not the case. We understand that they can have different rates for different zones in the City. The Mayor brought up the issue that a visitor in a hotel will pay a cheaper fare than a resident living right across the street from the hotel. There should be no discrimination between a hotel guest and a residential customer. We do recognize that they have contracts with hotels and we continue to allow that in the RFQ.

The other operators are working on their submittals. It seems unfair to the other operators that have been working on this to delay it at the behest of one operator.

Commissioner Crayton asked if questions have been received from other operators.

Ms. Sgourakis said that operators were asked to present questions at the pre-proposal conference but did not want any more communication with the operators after the conference.

Commissioner Mazzola asked if this has to come back to the Commission.

Ms. Sgourakis responded that it does.

\* \* \*

J. CORRESPONDENCE:

There was no discussion by the Commission

\* \* \*

K. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.



The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:22 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding settlement of litigation entitled Michael Gill v CCSF et al, San Francisco Superior Court Case No. 408523; and CCSF v Tutor-Saliba Corp, et al, U.S. District Court Case No. C02-5286 EDL; CCSF v William D. Spencer, Spencer & Son, Inc., et al U.S. District Court Case No. C02-3086 WDB; and CCSF v Scott Co. of California, et al, San Francisco Superior Court Case No. 306-623; and, Government Code Section 54956.9(b) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 10:19 A.M. and the closed session began.

\* \* \*

L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:20 A.M.

  
Jean Caramatti  
Commission Secretary



# SAN FRANCISCO AIRPORT COMMISSION



## MINUTES

**MARCH 25, 2003  
SPECIAL MEETING**

**8:30 A.M.**



**ROOM 400 - CITY HALL  
400 VAN NESS AVENUE  
CITY AND COUNTY OF SAN FRANCISCO**

**WILLIE L. BROWN, JR., MAYOR**

## COMMISSIONERS

**HENRY E. BERMAN  
President**

**LARRY MAZZOLA  
Vice President**

**MICHAEL S. STRUNSKY**

**LINDA S. CRAYTON**

**CARYL ITO**

**JOHN L. MARTIN  
Airport Director**

**DOCUMENTS DEPT.**

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Minutes of the Airport Commission Special Meeting of  
March 25, 2003

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# AIRPORT COMMISSION SPECIAL MEETING MINUTES

March 25, 2003

## A. CALL TO ORDER:

The special meeting of the Airport Commission was called to order at 8:30 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

## B. ROLL CALL:

Present: Hon. Larry Mazzola, Vice President  
Hon. Michael S. Strunsky  
Hon. Linda S. Crayton  
Hon. Caryl Ito

Absent: Hon. Henry E. Berman, President

\* \* \*

## J. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 8:32 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled City and County of San Francisco v Wiliam D. Spencer and F.W.Spencer, Inc, U.S. District Court Case No. C02-5086PJH; pending litigation entitled CCSF v Scott Company of California et al, Santa Clara Superior Court No. 787323; and, pending litigation entitled Dillingham Construction, N.A. v City and County of San Francisco, San Mateo Superior Court No. 416236; and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 9:18 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

\* \* \*

## C. ADOPTION OF MINUTES:





The minutes of the regular meeting of February 18, 2003 were adopted unanimously.

No. 03-0032

\* \* \*

- D. ANNOUNCEMENT BY SECRETARY: In accordance with the Brown Act, Jean Caramatti, Commission Secretary, announced unanimous adoption of Resolution No. 03-0031 regarding the settlement of litigation entitled Michael Gill v CCSF, et al in the amount of \$26,421.34 at the closed session of February 18, 2003.

\* \* \*

E. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

\* \* \*

F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner Strunsky. The vote to approve was unanimous.

1. Initiate Passenger Facility Charge (PFC #3) and Designate PFC Revenues for Payment of Debt Service in FY 2003/04

No. 03-0033

Resolution authorizing the Airport Director to initiate the process to submit a third Passenger Facility Charge Application ("PFC #3") to the FAA to continue collections of a PFC at San Francisco International Airport in the amount of \$4.50 per enplaning passenger; and designate \$46.1 Million of PFC revenues for payment of debt service in Fiscal Year 2003/04.

Mr. Leo Fermin, Acting Deputy Director, Business and Finance, said that this item requests approval for two actions relating to Passenger Facility Charges. The first requests Commission approval for staff to initiate a third PFC application with the FAA, and, second, staff requests that the Commission designate \$46.1 million of PFC cash collections to be "revenues" to be applied against debt service costs in FY 2003/2004.

The first item, PFC #3, would extend our PFC collection authority to 2017. Previously, the FAA approved PFC #1 for a collection period from October 1, 2001 to June, 2003. PFC #2 was then approved, extending the collection period to April 2008. PFC #3 would extend the program to 2017.



PFC#3 would raise monies to pay debt service principal and interest on approximately \$525 million worth of capital costs relating to construction of the new International Terminal, including Boarding Areas A and G. Since PFC collections commenced on October 1, 2001, the Airport has collected approximately \$71 million. Of this amount, \$31.8 million was applied to debt service costs and \$39 million is kept in a bond redemption fund to ultimately retire selected Master Plan bonds as they become callable several years from now.

Next fiscal year, we expect to collect \$50-\$54 million in PFCs, depending on the actual level of enplanements. Of the amount collected, \$46.1 million will be applied to debt service and the balance will be kept in the bond redemption fund.

The second item, Designation of an Amount as Revenues, is a legal requirement which must be met before staff can apply these amounts to cover debt service.

Commissioner Strunsky said that he was a strong proponent of not using PFC funds for anything other than the new Airfield Development Program. That was before 9/11, before the Iraq war, and before the recession hit, all resulting in major impact on the airlines. Major impacts to airlines hurt the Airport. His attitude has been changed by the reality. We have to survive and find a way to meet our debt service commitments and the PFC is a viable source of revenue that exists today.

Commissioner Crayton asked why we didn't ask for a longer extension than 2003.

Mr. Fermin replied that he believed that the intent at the time was that the first PFC would recover costs related to the Airfield Development Program, and he believed that the timing was related to that time frame.

Item No. 2 was moved by Commissioner Crayton and seconded by Commissioner Strunsky. The vote to approve was unanimous.

2. Domestic Terminal Food and Beverage Redevelopment Program - Approval of Minimum Qualification Requirements, Criteria, and Methodology for Selecting Tenants

No. 03-0034

Resolution approving the minimum qualification requirements, criteria and methodology for selecting tenants for the Domestic Terminal Food and Beverage Redevelopment Program.

Mr. Fermin said that staff and our consultants recommend that six categories of food and beverage operations be established. These six categories are outlined on page 2 of the information before the Commission. They include the traditional sit down restaurant, casual dining/bar concept, quick serve outlets,



fast food, specialty coffee and café.

The outreach program has already begun. The Outreach Manager developed a data base of 1,500 interested parties from both inside and outside the Bay Area. Informational meetings were conducted in San Francisco at the Fairmont Hotel on February 24<sup>th</sup>, and at the Crown Plaza in Burlingame on February 25<sup>th</sup>.

After the meetings the outreach data base grew to 1,700 interested parties and the Request for Qualifications packages were mailed out to these interested parties on Wednesday and Thursday of last week.

On this coming Thursday, March 27<sup>th</sup> a presentation will be conducted for ethnic Chambers of Commerce for additional DBE outreach. Notices and short articles will also be placed in various community newspapers.

The item before the Commission approves the criteria for qualifications in Round One. Those who pass Round One will be invited to respond to an RFP. For Round Two, a blue ribbon panel consisting of community members with relevant experience will be submitted to the Airport Director for approval. The Outreach Manager and the panel will work together to develop a slate of tenants that best satisfies the Airport's goals.

Within the information before the Commission is detail on those items such as concepts, menus and prices, etc. which proposers will have to submit as part of their proposal.

The proposed slate of tenants and business terms for leases will then be submitted to the Commission for approval. This is targeted for September.

Commissioner Crayton asked if we were anticipating one of each of these categories.

Mr. Fermin responded that that has not yet been determined. We have a preliminary idea of how many and where to locate them, but we are waiting to receive responses from interested parties to solicit their feedback. We will bring that determination to the Commission for approval.

Commissioner Ito appreciated the outreach being made, but noted that the Japanese Chamber of Commerce, Asian Business League, Japantown Merchants Association and Japantown Task Force would help in outreach. The Hokobei Mainichi, a daily issue, could be included.

Mr. Fermin said that he would make sure that these were added.

Commissioner Strunsky suggested that this list seems short and recommended that our Outreach Manager take another look at it.

Mr. Fermin agreed and said that the Commission will receive an updated list.



Item No. 3 was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

3. Award of Contract No. 4310R - Lot DD Parking Garage Expansion Joint Repair Watertight Restoration, Inc. - \$749,062

No. 03-0035                      Resolution awarding Contract No. 4310R, Lot DD Parking Garage-Expansion Joint Repair, to the lowest responsive, responsible bidder, Watertight Restoration, Inc. in the amount of \$749,062.

Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance, said that the expansion joints in Parking Lot DD are failing. This contract went out to bid in January; five bids were received. AWT, the apparent low bidder, did not meet the subcontracting requirements. Watertight Restoration, the apparent second low bidder, has met the goals.

Commissioner Strunsky asked if we had a latent defect issue here. These expansion joints are not more than six years old.

Mr. Eavis responded that it wasn't the construction of the expansion joints, it was the fact that they were poorly designed. Since they were designed by another City department there is no way for us to recover our cost.

Commissioner Crayton asked if we lacked the foresight to see this problem, or should the contractor have done it in another manner?

Mr. Eavis responded that it was a poor design. The contractor built it the way it was designed.

Item No. 4 was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

4. Legal Services Supplemental Appropriation Request

No. 03-0036                      Resolution approving a supplemental appropriation request to increase the City Attorney work order for Fiscal Year 2003/04.

Mr. Fermin explained that the revised amount for the supplemental appropriation for the two Pac Bell cases and the ADA case is \$327,000.

Item No. 5 was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

5. Increase the Public Auto Parking Rates

No. 03-0037                      Resolution authorizing the Airport Director to





increase the public auto parking rates.

Mr. Fermin said that last year our long term parking rates were reduced by \$3.00 per day. We are now recommending restoring \$1.00 of the rollback to increase revenues.

The new recommended long term daily rate of \$13.00 would still be \$2.00 less than the \$15.00 rate in effect during 2001. Additionally, we recommend raising the short term rate from \$4.00 per hour to \$5.00 per hour in all public parking facilities. The current daily rates of \$28.00 for the first 24 hours and \$35.00 for each additional 24 hours in the domestic parking garage would remain unchanged. However, the maximum daily rates in the International Terminal Garages A and G would increase from \$20.00 to \$22.00.

As a comparison to the market, even after adjusting the long term rate from \$12.00 to \$13.00, a total of four other off-Airport parking lots charge daily rates higher than the \$13.00. Boston and Miami Airports both charge \$5.00 an hour.

Mr. Barry Taranto, cab driver, suggested keeping the first hour at \$4.00. If you want to encourage garage usage, you can't raise the first hour. He feels that there will be a drop in garage usage resulting in a higher use of the curb space.

Commissioner Strunsky noted that Mr. Taranto's point was interesting and asked if concession revenue will be impacted by an increase in the parking rate.

Mr. John Martin, Airport Director, responded that typically domestic passengers are dropped off. International Terminal passengers tend to spend a little more money because they spend more time in the building.

Mr. Fermin said that there is a program in place to validate parking by restaurants and food and beverage facilities in the International Terminal.

Commissioner Strunsky asked Mr. Fermin if he believed that this would not affect restaurants and shops in the domestic terminals.

Mr. Fermin said that he did not believe it would affect the domestic terminals.

Item No. 6 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

6. Modification No. 1 to Contract No. 4214 - International Terminal Site Furnishings and Exterior Amenities - Angotti & Reilly, Inc. - \$68,000

No. 03-0038

Resolution approving Modification No.1 to Contract No. 4214, International Terminal Site Furnishings and Exterior Amenities with Angotti & Reilly, Inc. in the amount of \$68,000.

Mr. Eavis explained that this contract provided for transit shelters, guard



shelters, benches, and trash receptacles for the Master Plan. This modification closes out the contract.

Item No. 7 was moved by Commissioner Strunsky and seconded by Commissioner Caryton. The vote to approve was unanimous.

7. Modification No. 9 to Lease and Use Agreement No. 82-0120 - US Airways, Inc.

No. 03-0039	Resolution approving Modification No. 9 to US Airways, Inc. Lease and Use Agreement No. 82-0120 to reduce exclusive use space and add a relocation provision and direct Commission Secretary to seek approval of the Board of Supervisors.
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Mr. Fermin explained that last year USAir filed for Chapter 11 bankruptcy. The airline is still undergoing deliberations under its Chapter 11 filing as to the leases and contracts it plans to assume or reject in bankruptcy court. In order to reduce its operating costs, USAir has asked the Airport to consider a space reconfiguration which will help them to emerge from bankruptcy as a viable carrier at SFO.

USAir wishes to relinquish 11,595 square feet of exclusive use space in Terminal 1, which includes holdrooms at Gates 14 and 15, and operations space on the ramp. USAir no longer needs the space as their flight activity has dropped from an average of 18 flights per day to between 5 to 7 flights a day.

While this reconfiguration will result in a rent reduction of \$1.6 million annually to the Airport, we recommend approval of this resolution as we believe it is in the Airport's best interest for USAir to remain at SFO, even on a reduced basis, than have them reject the leases outright in bankruptcy.

In exchange for the Commission's consent to this lease modification, the Airport will gain the right to relocate USAir to other facilities at its own expense if and when the Airport so desires. This will give us flexibility with regard to the eventual demolition of the old Boarding Area A rotunda. Additionally, the Airport will take title to two loading bridges at Gates 14 and 15, two KVA power units, and passenger seating furniture in the holdrooms. USAir will continue to be allowed to use overnight parking spaces at Gate 14.

Commissioner Strunsky asked if this has been run past bankruptcy attorney's.

Mr. Martin said that Mr. Gary Franzella is nodding yes.

\* \* \*

G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 8 through 25, was moved by Commissioner Crayton



and seconded by Commissioner Strunsky. The vote to approve was unanimous.

8. Award of Contract No. 8036 - Runway Rubber Removal 2002-2003 - Ackerman and Sons Company, Inc.- \$238,500

No. 03-0040

Resolution awarding Contract No. 8036, Runway Rubber Removal 2002-2003, to the lowest responsive, responsible bidder, Ackerman and Sons Company, Inc., in the amount of \$238,500.

Commissioner Strunsky said that the only contractor he is familiar with on this contract is Pavex who submitted a bid that is approximately eight times the price of the low bidder. Have we met with the low bidder and is he comfortable with his price?

Mr. Eavis responded that Pavex does not have the equipment to do this type of work. They turned in a bid to turn in a bid. The price for rubber removal is in the \$200,000 to \$300,00 range. There are only a few companies in the country that do this work and they go from airport to airport. High pressure jets are used.

9. Modification No. 7 to Professional Services Contract No. 7021.3 - Airfield Development Planning for the Runway Reconfiguration Project - HNTB - \$600,000

No. 03-0041

Resolution approving Modification No. 7 to Professional Services Contract No. 7021.3 with HNTB to revise the modeling assumptions based upon changes to runway layouts and project demand; run airspace and aircraft noise simulations necessary to assess capacity/delay and aircraft noise impacts; and provide responses to comments on the Draft Environmental Impact Report in the amount of \$600,000, for a total contract amount not to exceed \$7,160,000.

Commissioner Ito asked if we are still waiting for the Board of Supervisors Finance Committee to release the funds.

Mr. Fermin responded that we are still waiting for the Board to act on those items.

Commissioner Ito asked if we knew the timeline.

Mr. Martin responded that we are waiting for the Board to release the reserve funds for the Airfield Development Program and will run out of funds in about six weeks.

Commissioner Crayton asked when this item was put before the Board of



Supervisors.

Mr. Martin responded that it has been some time. We've had some difficulty getting it calendared before the Finance Committee.

Commissioner Crayton asked what we can do about this.

Mr. Fermin said that there were two items before the Board of Supervisors ... the release of the reserves for this current years budget of about \$5.3 million. The second item was a supplemental appropriation for costs incurred in prior years. Both items have been submitted to the Board but he is not sure where we are in the process.

Mr. Martin asked Mr. Stuart Sunshine to provide the status on these items.

Mr. Stuart Sunshine, Director, Airfield Development, explained that both of those items were sent to the Board of Supervisors and we are waiting for them to be calendared before the Finance Committee. It has been several months for the supplemental appropriation release. As for the release of reserve, a notice of intent was sent to the Board in January of this year to request a portion of that release ... \$3.4 million of the \$5 million. We are waiting for the items to be calendared.

Commissioner Crayton asked if the Board is aware that we have only six weeks of funding left.

Mr. Sunshine responded that the Chair of the Finance Committee has been made aware of that. Mr. Martin has also had discussions with the President of the Board and the Controller. The Mayor's Budget Office is also aware of this.

10. Modification No. 1 to Legal Services Agreement with Jessop & Company, P.C. and Danning, Gill, Diamond & Kollitz LLP. to Increase Compensation by the Aggregate Amount of \$250,000

No. 03-0042	Resolution approving Modification No.1 to Legal Services Agreement with law firm of Jessop & Company, P.C. and Danning, Gill, Diamond & Kollitz LLP to increase compensation by the aggregate amount of \$250,000; all other terms and conditions to remain the same.
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11. Modification No. 5 to the Professional Services Contract with Harris Miller Miller & Hanson, Inc., as the Airport's Aircraft Noise Management Consultant \$100,000

No. 03-0043	Resolution approving Modification No. 5 to Professional Services Contract with Harris Miller Miller & Hanson, Inc. which is necessary to
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continue studying low frequency aircraft noise for inclusion in the environmental impact report for the Runway Modernization Project in the amount of \$100,000.

12. Bid Call - Contract No. 3842R - Terminal 3 Boarding Areas E and F Carpet Replacement

No. 03-0044

Resolution approving the scope, budget, and schedule for Contract No. 3842R, Terminal 3 Boarding Area E and F Carpet Replacement, and authorizing the Director to call for bids when ready.

13. Bid Call - Contract No. 4085 - Boarding Area 'F' Apron Reconstruction

No. 03-0045

Resolution approving the scope, budget, and schedule for Contract No.4085, Boarding Area 'F' Apron Reconstruction, and authorizing the Director to call for bids when ready.

14. Approval of a Lease with the Transportation Security Administration

No. 03-0046

Resolution approving a Lease with the U.S. Government for office space and a bag security office to be occupied by the Transportation Security Administration at the International Terminal, and direct the Commission Secretary to forward the lease to the Board of Supervisors for approval.

15. Authorization to Procure Replacement for Ticket Issue Machine at the Domestic Parking Garage

No. 03-0047

Resolution authorizing contract with Ascom Transport Systems, Inc. for procurement and installation of seven (7) replacement Ticket Issuing Machine (TIMs) at the Main Entrance Plaza for the Domestic Parking Garage, for an amount not to exceed \$163,300.

16. Garage Taxi Staging Area Mobile Catering Leases "A" and "B" - Disadvantaged Business Enterprise (DBE) Set-Asides

No. 03-0048

Resolution authorizing staff (1) to exercise the



last option year of the Garage Taxi Staging Area Mobile Catering Leases "A" and "B", Disadvantaged Business Enterprise (DBE) Set-Asides, and (2) to conduct a bid process for these leases.

17. Sponsorship Agreement with Intel Corporation

No. 03-0049                      Resolution approving sponsorship agreement between the Airport and Intel Corporation in the amount of \$550,000.

Commissioner Crayton noted that the resolution cites the agreement as saying that WiFi would be operational in certain locations on or before March 14; today is March 25. This is after the fact.

Mr. Fermin responded that it is. Staff was authorized to negotiate the agreement and then to return to the Commission.

18. Storage Space Permit Rates for Concession Tenants

No. 03-0050                      Resolution increasing the temporary storage space permit rates for concession tenants during the period covering May 1, 2003 to April 30, 2004 and reinstating storage space permit rates according to the then current Fiscal Year Rates and Charges effective May 1, 2004.

Commissioner Crayton assumed that they are already aware of this.

Mr. Fermin responded that a meeting was held with all of the affected tenants. We had earlier suspended the true level of rates that we expected to collect and we are now partially restoring what we had suspended previously.

Commissioner Crayton asked if the tenants were solvent in terms of their ability to pick this up.

Mr. Dave Pfeiffer, Concession Development, said that they met with tenants that have storage and told them they could relinquish their storage space, which is on a month to month basis. Several tenants changed their storage areas. Everyone understood that this was being taken to the 75% level. Tenants that were in trouble had previously relinquished their storage space

19. Authorization to Extend Caltrain-SFO Shuttle Contract

No. 03-0051                      Resolution exercising an option to extend the existing Caltrain-SFO Shuttle contract by up to



one year at a cost of \$25,000 per month.

20. Enhancements to SFO's Clean Vehicle Taxi Program

No. 03-0052                      Resolution authorizing modification to Clean Vehicle Taxi Program to extend front-of-line privileges for clean air taxis serving San Francisco International Airport.

21. Federal Aviation Administration Lease for the Installation, Operation, and Maintenance of a Weather Bureau in T2

No. 03-0053                      Resolution authorizing the Director to execute a Federal Aviation Administration ("FAA") Lease No. DTFA08-03-L-22297 to install, operate, and maintain a weather bureau in Terminal 2.

22. Termination of Professional Legal Services Agreement with Gordon & Rees

No. 03-0054                      Resolution approving termination of Professional Legal Services Agreement with Gordon & Rees.

23. Termination of Professional Services Legal Agreement with Leonard, Carder, Nathan, Zuckerman, Ross, Chin & Remar LLP (now known as Leonard, Carder LLP)

No. 03-0055                      Resolution approving termination of Professional Legal Services Agreement with Leonard, Carder, Nathan, Zuckerman, Ross, Chin & Remar LLP (now known as Leonard, Carder LLP).

24. Termination of Professional Legal Services Agreement with Gutierrez & Associates

No. 03-0056                      Resolution approving termination of Professional Legal Services Agreement with Gutierrez & Associates.

25. Termination of Professional Services Agreement with Winthrop, Stimson, Putnam & Roberts (now known as Pillsbury, Winthrop LLP)

No. 03-0057                      Resolution approving termination of Professional Services Agreement with Winthrop, Stimson, Putnam & Roberts (now known as Pillsbury,



H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Mr. Ted Breyer, Breyer Electric said that he recently sent another letter to the City Attorney's Office offering a compromise with respect to the North Connector Building. His offer still leaves Breyer Electric \$178,000 out of pocket.

The litigation seems to be centered around minority participation and State contractor licensing laws. His company is not wrapped up in any of the fringe difficulties, but they are stuck in the middle.

He is happy to have anyone of the Commission's choosing check out Breyer Electric's out of pocket claim of \$178,000.

Lastly, he would consider any reasonable offer back.

Commissioner Strunsky asked if he approached Dillingham's payment bond.

Mr. Breyer responded that he has. That is just what's being retained by the Airport. Part of the problem is that the job ran 300 more than it was supposed to . Of those 300 days, 280 days were not the problem of Dillingham, but rather what the Airport extended.

Commissioner Strunsky said that the Airport's consultant and staff are telling us that they are not in agreement with that opinion.

Mr. Breyer said that he is not involved in that. This is more an ethical issue.

Commissioner Mazzola asked Mr. Breyer if his offer was sent to the City Attorney.

Mr. Breyer responded that he sent it on March 15.

Mr. Barry Taranto, cab driver, said that the four year CNG extension is great.

Mr. Taranto said that Officer Stuart Molver in the Ground Transportation Unit should be honored for his work. He hoped that the Taxi Commission could honor him as well.

Mr. Taranto commented that reducing the number of hours that taxi cabs are in the lot will force cab drivers to break the law. The police are treating them like felons.





I. CORRESPONDENCE:

There was no discussion by the Commission.

\* \* \*

J. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 10:07 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled City and County of San Francisco v William D. Spencer and F.W. Spencer, Inc, U.S. District Court Case No. C02-5086PJH; pending litigation entitled CCSF v Scott Company of California et al, Santa Clara Superior Court No. 787323; and, pending litigation entitled Dillingham Construction, N.A. v City and County of San Francisco, San Mateo Superior Court No. 416236; and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 10:41 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

\* \* \*

L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:42 A.M.

  
Jean Caramatti  
Commission Secretary



# SAN FRANCISCO AIRPORT COMMISSION



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## MINUTES

**APRIL 15, 2003**

8:30 A.M.



ROOM 400 - CITY HALL  
400 VAN NESS AVENUE  
CITY AND COUNTY OF SAN FRANCISCO

**WILLIE L. BROWN, JR., MAYOR**

## COMMISSIONERS

**HENRY E. BERMAN**  
President

**LARRY MAZZOLA**  
Vice President

**MICHAEL S. STRUNSKY**

**LINDA S. CRAYTON**

**CARYL ITO**

**JOHN L. MARTIN**  
Airport Director

SAN FRANCISCO INTERNATIONAL AIRPORT  
SAN FRANCISCO, CALIFORNIA 94128



Minutes of the Airport Commission Meeting of  
April 15, 2003

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# AIRPORT COMMISSION MEETING MINUTES

April 15, 2003

## A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 8:30 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

## B. ROLL CALL:

Present: Hon. Larry Mazzola, Vice President  
Hon. Michael S. Strunsky  
Hon. Linda S. Crayton  
Hon. Caryl Ito

Absent: Hon. Henry E. Berman, President

\* \* \*

## C. ADOPTION OF MINUTES:

The minutes of the special meeting of March 25, 2003 were adopted unanimously.

No. 03-0058

\* \* \*

## D. SPECIAL ITEM:

Item Nos. 1 and 2 were moved by Commissioner Ito and seconded by Commissioner Strunsky. The vote to approve was unanimous.

### 1. 2002 William R. O'Brien Perpetual Award for Employee Excellence - Joseph Walsh

No. 03-0059

Resolution awarding the William R. O'Brien Award for Employee Excellence for 2002 to Joseph Walsh.

Mr. John Martin, Airport Director, said that he was pleased to present the William R. O'Brien Award for Employee Excellence to Joseph Walsh, Assistant Supervisor in the Custodial Services Division. He has been at the Airport since 1980, working his way up over time in supervisory positions. While at the Airport he has continued his education, obtaining an Associate Degree and a B.A.

He has been looked up to as a leader in the Custodial Services Division and played an important role getting the International Terminal ready for opening.



Mr. Walsh also played a lead role in the Combined Charities Campaign, achieving 99% participation of 400 custodians contributing to the campaign, an amazing statistic which reflects his commitment overall to his duties in serving the Airport.

Mr. Joseph Walsh thanked all of the custodians working at the Airport who take pride in the work they do, as well as the other City and Airport departments that help them do their job and work as a team. If they had to do it alone it would be a rough road.

Commissioner Mazzola congratulated Mr. Walsh.

2. 2002 Team Recognition Award - Paint Shop - AirTrain Station Detail Team

No. 03-0060

Resolution awarding the Team Recognition Award to the Paint Shop - AirTrain Station Detail Team.

Mr. Martin explained that this is a Team Award presented to a group of employees from the Paint Shop. The team is headed by Glenn Nash and James Long. Other members of the team include Matthew Barden, Orlando Bastidas, Thomas Beem, Richard Morales, and Alexander Shukhat.

This team had a very difficult project with the opening of the Rental Car Center. Due to a design error, the metal service on the canopy became corroded. Different types of acid had to be tested to find the best method of removing the corrosion. All of the work was done over their heads. Further, all of the work was done with protective surfaces on the glass and other metal surfaces to avoid further damage. This was a unique project for the team, involving a lot of safety risks which required developing and implementing safety measures. The project was completed successfully without injury or problems. This project highlights the great dedication of the Paint Shop.

Commissioner Mazzola congratulated the team.

Mr. Glenn Nash, spokesperson for the group, said that this was a very difficult, out of the ordinary job for a group of painters. While the use of acid involved a learning curve, it was accomplished without any injuries and with the support and good attitude of everyone involved.

He thanked the Commission for acknowledging them.

\* \* \*

E. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Crayton thanked the Director for his report on the community outreach for the Domestic Terminal Food and Beverage Program. The list was very comprehensive in terms of reaching all of our chambers and ethnic associations. She asked if we were using the internet as an outreach resource.



Mr. Martin responded that we are and asked Mr. Dave Pfeiffer to come forward.

Mr. Dave Pfeiffer, Associate Deputy Director, explained that we now post proposals or any bid process through the Airport's ITT department.

Commissioner Ito acknowledged the great job staff is doing to keep our employees informed about SARS.

\* \* \*

F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 3 was moved by Commissioner Crayton and seconded by Commissioner Strunsky. The vote to approve was unanimous.

3. Approve Business Terms for the Domestic Terminals Food and Beverage Redevelopment Program

No. 03-0061

Resolution approving the business terms for the new Domestic Terminals Food and Beverage Redevelopment Program.

Mr. Leo Fermin, Acting Deputy Director, Business and Finance reminded the Commission that on March 25 the Commission approved the minimum qualification requirements, criteria and methodology for selecting tenants for the Domestic Terminals Food and Beverage Program. Since then 115 submittals were received for Round 1, the prequalification. Before the Commission is the proposed business terms for the program which will be incorporated in the Round 2 packages, the actual request for proposals.

We expect to receive proposals by the end of May and plan to return to the Commission in September with a proposed slate of tenants and leases for approval.

The proposed business terms were developed using as a benchmark the terms currently in existence today in the new International Terminal food and beverage program.

Analysis and projections were made of likely levels of sales and cost structures for the various categories of facility types. In general, a higher percentage rent structure was matched to those types of operations with higher gross margins and a lower percentage rent structure was assigned to those with lower gross margins. The minimum annual guarantee (MAG) for each lease will be set at \$40 per square foot per year. This is the same MAG structure that is in place today in the International Terminal.

There will also be a cost recovery fee of \$15 per square foot to recover the debt service costs associated with a tenant infrastructure build out. For those tenants situated in food courts, there will be an additional fee of \$15 per square foot to recover costs of developing and fitting out the food courts for what is normally



tenant supplied items, such as tables and chairs.

The term for each lease will be 10 years, with one two-year option at the Commission's discretion. The leases will have a provision for a MAG suspension in the event of a severe decline in passenger traffic. The MAG would be suspended when passenger traffic falls 20% below the base year for three consecutive months, and would be reinstated when traffic returns to the same level as the base year for two consecutive months.

There will be no reimbursement for tenant buildouts.

Commissioner Ito asked if we have feed back regarding the policy in the International Terminal for street pricing.

Mr. Fermin responded that the majority of airports throughout the country have a policy of street pricing plus 10% to 20%. Many tenants are very happy with street pricing plus 10%. We have received no negative feedback.

Commissioner Ito understood that the tenants would appreciate it, but asked if that inhibits sales.

Mr. Fermin noted that even with the enplanements of the last several weeks our actual food and beverage sales per enplaned passenger has remained fairly constant, and in some cases has actually improved. The last three weeks have shown signs of strength.

Mr. Pfeiffer added that in the analysis staff performed we found that most airports are at street pricing plus 10% or street pricing plus 15%. We felt that if we went street pricing plus 10%, because we're adding the cost recovery on the infrastructure work, it would allow them to be more of a pass through at that point in time and their profitability would not go down. We don't think it would have an impact on dollars per enplanement because it would still be much cheaper than what is in place right now.

Commissioner Ito asked if there is a formula for MAG suspensions.

Mr. Pfeiffer responded that in the existing leases going out we have a 20% decrease in enplanement clause that suspends the MAG. The MAGs are set, as they are in the International Terminal, so that it is at a break even point for them. We did not have to suspend any of the MAGs; all of the operators are on percentage rent.

Commissioner Ito hoped that we have learned from the past and that there is an effective process in terms of signage ... it is critical to maintaining small businesses.

Mr. Pfeiffer responded that the budget includes an allotment for doing the same type of signage as is in place in the International Terminal.

Commissioner Strunsky asked if the Airport will reap the same, less, or more





gross revenue as under the Host contract.

Mr. Fermin responded that under the current contract we are realizing approximately \$5.3 million per year annually in rentals. Under this program we are expecting to receive anywhere between \$5.6 million to \$6 million in the first full year of operation. We expect to be incrementally better off in years two to three than we would have been had we done nothing at all.

Commissioner Crayton asked how often the economic issues surrounding enplanements will be visited with respect to MAG suspension.

Mr. Fermin responded that the MAG adjustment will be written into tenant leases so there will be automatic adjustments. We also track passenger traffic monthly, and we send the tenants enplanement reports on a quarterly basis so they have that information on a relatively up-to-date basis.

Item No. 4 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

4. Modification No. 4 to Contract No. 5703A - AirTrain Operating System - Bombardier Transportation (Holdings USA, Inc.) - \$1,733,315

No. 03-0062

Resolution authorizing Modification No. 4 to Contract 5703A, AirTrain Operating System with Bombardier Transportation (Holdings USA, Inc.) in the amount of \$1,733,315 for a new contract amount of \$128,287,109, for work associated with design changes and anticipated field conditions. Funding will be provided from the project budget with no impact to the Master Plan budget.

Mr. Ivar Satero, Bureau of Design and Construction explained that this modification provides for various changes encountered throughout the course of construction due to unforeseen conditions as well as Airport-requested changes to the maintenance and storage facility.

Funding for this modification will be provided from the project with no impact to the Master Plan budget. Costs were included in the quarterly forecasts presented to the Commission.

The Airport provided the contractor with the Phase 1 Notice of Substantial Completion on March 23, 2003, and a Notice to Proceed Phase 2 O and M on March 24, 2003.

Through the first month and a half of operations the contractor, Bombardier, has achieved a 99.62% system availability and that level of performance qualifies the contractor for the contract incentive. The performance of the train is excellent.



The HRC MBE/WBE goals for this contract were set at 10% combined goal. Through this modification the contractor will have achieved a combined goal of 17.8% participation.

Commissioner Strunsky asked if we are approaching completion.

Mr. Satero said that there will be one more modification. We are finalizing negotiations on some close-out issues with subs. The close-out modification should appear before the Commission within the next couple of months.

Commissioner Strunsky said that he has heard nothing but good about this system. He asked if there was a possibility that the 99.86% availability would allow us to reduce the bus schedule.

Mr. Satero said that the one thing we are looking at as a cost savings measure is the shuttle buses. The rental car shuttles have gone away completely but we've kept the fleet for the bus back up plan. Potentially, we can leverage off the system for employee shuttle replacements. The transportation fee collected at the rental car center that originally went to provide the rental car buses is now going to the AirTrain debt service.

Commissioner Strunsky moved that Commissioner Ito be recused from voting on Item No. 5 due to a conflict of interest. Commissioner Mazzola seconded the motion. The vote to recuse Commissioner Ito was unanimous.

Item No. 5 was moved by Commissioner Crayton and seconded by Commissioner Strunsky. The vote to approve was unanimous.

5. Modification No. 2 to the SFO Medical Clinic Contract with Catholic Healthcare West dba St. Mary's Medical Center

No. 03-0063

Resolution approving Modification No. 2 to SFO Medical Clinic Contract with Catholic Healthcare West dba St. Mary's Medical Center, exercising the first one-year option to extend the contract from July 1, 2003 thru June 30, 2004 in an amount not to exceed \$670,000 for FY2003-04.

Ms. Theresa Lee, Deputy Director, Administration, explained that the Commission previously approved a contract with Catholic HealthCare West, dba St. Mary's Medical Center to provide medical services to Commission employees, travelers, tenants and the public. It also included three one-year options to extend the term.

This modification requests authority to exercise the first one year option through June 30, 2004 in an amount not-to-exceed \$670,000.

Airport costs cover workers compensation medical case management, medical surveillance testing, and preventative services such as flu shots for Commission employees, urgent care and emergency medical coordination.



The clinic has implemented significant efficiencies in delivering services, thereby minimizing the Airport's contributions. They are on target to come under budget for the current year. The primary increase to the budget is due to negotiated labor cost increases and pharmaceutical increases.

\* \* \*

G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 6 through 9, was moved by Commissioner Mazzola and seconded by Commissioner Crayton. The vote to approve was unanimous.

6. Modification No. 6 to Legal Services Agreement with Remy, Thomas & Moose - \$180,000

No. 03-0064                      Resolution approving Modification No. 6 to Legal Services Agreement with Remy, Thomas & Moose to increase compensation by the amount of \$180,000.

7. Modification No. 7 to Professional Services Contract No. 4087A - Geotechnical Foundation, Hydraulics, Bathymetry, Sedimentation and Hazardous Material Studies - ADEC

No. 03-0065                      Resolution approving Modification No. 7 to Professional Services Contract No. 4087A for Geotechnical, Foundation, Hydraulics, Bathymetry, Sedimentation and Hazardous Material Studies with Airfield Development Engineering Consultant (ADEC), a Joint Venture of Fugro West and Moffatt and Nichol Engineers, for engineering work in support of the environmental impact studies, permitting, and for final geotechnical studies in preparation for the final structural design for the Runway Reconfiguration Program to reduce the limit of Professional Liability and Insurance coverage.

8. Modification to Limousine and Non-SF Taxicab Parking Fees

No. 03-0066                      Resolution authorizing modification to parking rates for Limousines and non-San Francisco taxicabs based on new parking rate increments of 12 minutes.

Commissioner Strunsky asked why the limousine rate for parking appears to be less than the taxi rate for parking.



Ms. Alice Sgourakis, Landside Operations responded that they should be the same. We are maintaining the \$2.00 discount for the first hour for both the limousines and the non-SF taxis.

Mr. Martin added that with respect to the comparison of the taxis and the limousines, the limousines are also charged a per trip fee every time they circle the terminal. This parking fee is in addition to the per trip fee they pay.

Ms. Sgourakis added that they pay a \$2.75 per trip fee, however, if the limousines park in the garage they don't pay any trip fee, they just pay a parking fee which will be \$3.00 for the first hour under the new plan.

9. Termination of Professional Legal Services Agreement with Nossaman, Guthner, Knox & Elliot

No. 03-0067

Resolution approving termination of Professional Legal Services Agreement with Nossaman, Guthner, Knox & Elliot.

Commissioner Crayton asked if there are other law firms that were working on projects like this that were eliminated or will be eliminated.

Ms. Mara Rosales, Deputy Director, Legislative and Regulatory Affairs, responded that on the last calendar there were a series of law firms that were terminated for the same reasons. We are looking at existing legal services contracts to see whether the services for any of those contracts are needed on a continuing basis. If not, there will be a recommendation to terminate. There are at least two construction firms, Farella, Braun and Martel and the Wulfsberg firm, that continue to be construction counsel for the Commission. Morrison and Foerster continues to be on contract, as well as two bankruptcy firms.

With respect to the savings, there was not much allocated to this contract that was still left in the contract.

Commissioner Crayton also asked if we are looking at particular firms that have an expertise in airports.

Mr. Martin responded that we rely on our bond counsel, Orrick, Herrington, as well as Leslie Lava and Bill Lofton who provide advice relative to our capital financing and insuring that we have protections in place to deal with further tenant bankruptcies from. Morrison and Foerster has always advised us relative to the Lease and Use Agreement and the broad protections provided through that Agreement.

Commissioner Crayton asked if we have any kind of a check list that red flags a tenant financial problem.

Mr. Martin responded that we keep close track of our accounts receivables and monitor developments in the airline industry through a number of reports we







receive through investment banking firms. We know which airlines are at risk as well as major retail tenants. Tenants that pay less than \$200,000 to \$300,000 a year in rent aren't monitored as closely.

The Commission will receive a follow up report on this issue.

\* \* \*

#### H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Commissioner Mazzola apologized to Ms. Melissa Freund who wanted to speak on Item No. 3. He thought she wanted to speak under New Business.

Ms. Melissa Freund, HMSHost, said that she was present to speak on the new Food and Beverage Program. She said that the industry is in the worse shape ever ... sales are down, and both United and American Airlines are facing severe financial problems. What type of protection is the Airport going to give them and the small owners in the event of any drastic economic actions taken by these airlines. Why should we be implementing this program now?

Mr. Francisco Novera works for ABM Janitorial Service at SFO. Last week letters were sent to 55 ABM employees informing them that they are going to loose their jobs. Some of these employees have been working for 12 or 15 years. They have families and rent to pay.

Commissioner Crayton did not understand what this was.

Mr. Martin explained that these custodians work for ABM, a subcontractor to AMPCO. They received layoff notices along with approximately 100 Airport Commission employees.

Mr. Francisco Gonzalez, AMB Janitorial Service, asked the Commission to help these employees keep their jobs.

Mr. Rafael Martinez, ABM, said that he has worked for ABM at the Airport for 10 years ... there is no place else for him to go. He has four children to support and rent to pay. He is 55 years old and he doesn't think he can find another job.

Unidentified Speaker said that they live paycheck to paycheck. They have rent to pay and food to buy. They are begging for the Commission's help. Every time a new company comes in the employees have been allowed to stay, but City janitors are going to replace them.

Mr. Tim Brown, union rep with SEIU, Local 1877, pleaded for justice and fairness.



These employees are being given 30 days notice after giving years of service to the City. Why is this happening? Don't years of service and dedication mean anything?

They want to fight for their jobs. They want to know what they can do to save their jobs.

Commissioner Mazzola said that we went through this a year ago and were able to hold the line then. This year not only the City and County of San Francisco but the Airport are in worse shape than last year. Cuts have to be made. One hundred Airport employees are also being laid off.

How many of these employees have seniority?

Mr. Brown said that these employees carry their seniority with each new contractor.

Commissioner Mazzola asked if any of these employees will be able to retain their jobs within the company.

Mr. Brown responded that he did not know. There have been janitorial layoffs throughout the Bay Area. They want to work. They don't want to go on assistance.

Commissioner Mazzola said that no one on this Commission wants to let anyone go. We will look at this again, but it might not come out like it did last year. This is a contract that has been on the chopping block before. There are not as many passengers as there were. City janitors can probably pick up that work.

Mr. Brown asked who makes the final decision.

Mr. Martin responded that he will have staff meet with him and others. This reflects our overall economic situation. Traffic was down 25% compared to the year 2000. There has been a further drop in traffic due to the war and SARS. As traffic rebounds we hope to be able to bring employees back who have been laid off.

Mr. Brown said that City janitors are paid more than contract janitors.

Commissioner Mazzola responded that there will be a bigger burden on those who will do the job because the garage will now be included in the schedule.

Commissioner Mazzola assured Mr. Brown that everything possible will be done to minimize the number of layoffs..

\* \* \*

I. CORRESPONDENCE:

There was no discussion by the Commission.

\* \* \*

J. CLOSED SESSION:



Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:17 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding a settlement of litigation entitled Millard Tong Construction company v CCSF, San Francisco Superior Court Case No. 407-744; and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.


Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 9:45 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

\* \* \*

L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:46 A.M.

  
Jean Caramatti  
Commission Secretary



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**SAN FRANCISCO  
AIRPORT COMMISSION**



**MINUTES**

**May 12, 2003  
Special Meeting**

**9:15 A.M.**

**Room 400 - City Hall  
#1 Dr. Carlton B. Goodlett Place  
(400 Van Ness Avenue)  
City and County of San Francisco**

**WILLIE L. BROWN, JR., MAYOR**

**COMMISSIONERS**

**LARRY MAZZOLA**

**President**

**MICHAEL S. STRUNSKY**

**Vice President**

**LINDA S. CRAYTON**

**CARYL ITO**

**JOHN L. MARTIN**

**Airport Director**

**SAN FRANCISCO INTERNATIONAL AIRPORT  
SAN FRANCISCO, CALIFORNIA 94128**





Minutes of the Airport Commission Special Meeting of  
May 12, 2003

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	1.	Election of Officers	03-0072	5
	2.	Retirement Resolution Andy Pehargou	03-0073	5
G.		ITEMS INITIATED BY COMMISSIONERS:		
		UAL flight from Salt Lake City		5-6
H.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	3.	Modification No. 6 to Contract 5706A - AirTrain Domestic Terminal Stations - Dennis J. Amoroso Construction	03-0074	6
	4.	Exercise the Five-Year Option of the Agreements for Rental Car Operations	03-0075	7
	5.	Advertising Program Lease No. 00-0408 Clear Channel Outdoor dba Clear Channel Airports	03-0076	7-9
	6.	Airport Improvement Program Grant Nos. 25 and 26 - Execution and Filing with the FAA	03-0077	9



I.

CONSENT CALENDAR OF ROUTINE  
ADMINISTRATIVE MATTERS:

- |     |   |         |       |
|-----|---|---------|-------|
| 7.  | New International Terminal Newsstands<br>Lease and Terminal 3 Concourse Newsstand<br>Lease  | 03-0078 | 9     |
| 8.  | Award Contract 8235B - As-Needed General<br>Construction - Domestic Terminals Food &<br>Beverage Redevelopment - Resource &<br>Design, Inc.   | 03-0079 | 10    |
| 9.  | Award Contract 8235C - As-Needed<br>Mechanical Construction - Domestic<br>Terminals Food & Beverage Redevelopment<br>-Schram Construction, Inc.   | 03-0080 | 10    |
| 10. | Award Contract 8235D - As-Needed Electrical<br>Construction - Domestic Terminals Food &<br>Beverage Redevelopment - Barri Electric  | 03-0081 | 10-11 |
| 11. | Award Contract 3560B - Non-Competitive<br>Consultant Selection - Professional Engineering<br>Services for Terminal Upper Level Viaduct<br>Improvement - Creegan & D'Angelo<br>Engineers | 03-0082 | 11    |
| 12. | Modification No. 1 to A-1 Security Services<br>Contract   | 03-0083 | 11    |
| 13. | Modification No. 7 (Closeout) to Contract<br>5706 - AirTrain Domestic Terminal Stations<br>Professional Services Agreement - Kwan<br>Henmi Architecture and Planning                    | 03-0084 | 11    |
| 14. | Contract 8253 - Procure and Install Equipment<br>for the Premium Parking Facility   | 03-0085 | 11-12 |
| 15. | Authorize Staff to Expend Funds from FY<br>2002/03 AIRTRANSIT Programmatic to<br>Cover Caltrain-SFO Shuttle Month-to-Month<br>Operating Costs   | 03-0086 | 12    |
| 16. | Modification No. 3 to Contract 5001.01 -<br>Professional Services Agreement for Airport<br>Landscape Master Plan - Project Name<br>Change   | 03-0087 | 12-13 |
| 17. | Modification of Contract for Ongoing<br>Development and Implementation of an  |         |       |



International Strategic Marketing Alliance  
with the San Francisco Convention &  
Visitors Bureau

03-0088

13

J. NEW BUSINESS:

Solicitation and Renegade Cab Drivers

13-14

K. CORRESPONDENCE:

14

L. ADJOURNMENT:

14



# AIRPORT COMMISSION SPECIAL MEETING MINUTES

May 12, 2003

## A. CALL TO ORDER:

The special meeting of the Airport Commission was called to order at 8:36 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

## B. ROLL CALL:

Present: Hon. Larry Mazzola, President  
Hon. Michael S. Strunsky, Vice President  
Hon. Linda S. Crayton  
Hon. Caryl Ito

\* \* \*

## C. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 8:38 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled Dillingham N.A., Inc. v CCSF et al, San Mateo Superior Court Case No. 416-236; CCSF v Tutor-Saliba, U.S. District Court Case No. C02-5286ED; CCSF v Scott Co., et al, Santa Clara Superior Court Case No. 787-323; and CCSF v Spencer et al, U.S. District Court Case No. C02-5086PJH; and Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 9:45 A.M. The Commission voted unanimously to disclose the settlement of Dillingham Construction N.A., Inc. in the amount of \$2,400,000.

\* \* \*

## D. ADOPTION OF MINUTES:

The minutes of the regular meeting of April 15, 2003 were adopted unanimously.





\* \* \*

- E. ANNOUNCEMENT BY SECRETARY: Unanimous adoption of Resolution No. 03-0068 regarding the settlement of litigation entitled Millard Tong Construction Company v CCSF in the amount of \$25,000.00 and 03-0069 regarding the settlement of unlitigated claim by the CCSF against D. Mitchell Concessions, Inc. at the closed session of April 15, 2003.

\* \* \*

F. SPECIAL ITEM:

Commissioner Crayton made a motion to nominate Commissioner Mazzola as President and Commissioner Strunsky as Vice President. The motion was seconded by Commissioner Ito. The vote to approve was unanimous.

1. Election of Officers

No. 03-0072

Commissioner Mazzola thanked the Commission for electing him President. He said that Henry Berman was a great man and he had the utmost respect for him.

Item No. 2 was moved by Commissioner Ito and seconded by Commissioner Crayton. The vote to approve was unanimous.

2. Retirement Resolution - Mr. Andy Pehargou

No. 03-0073

Mr. John Martin, Airport Director said that Mr. Pehargou is being recognized for his almost 34 years of service with the City, 29 of which were spent at SFO. He worked as an Airfield Safety Officer for most of that time, playing a very important safety and security function. He had a record of consistent and persistent attention to duties and served as an inspiration to his fellow employees.

\* \* \*

G. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Crayton asked if the incident on Sunday with the UAL flight that arrived SFO from Salt Lake will help speed up the release of funds for the TSA.

Mr. Martin responded that he plans to call the TSA Administrator and suggest to him that



this incident is a great example of why the inline baggage system screening needs to be in place at every airport in the country as soon as possible.

Commissioner Crayton said that the communications team at the Airport needs to be complimented on their handling of this situation.

Commissioner Ito agreed with Commissioner Crayton, specifically noting Mr. McCarron's calm demeanor and thoroughness.

\* \* \*

#### H. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 3 was moved by Commissioner Crayton and seconded by Commissioner Strunsky. The vote to approve was unanimous.

3. Modification No. 6 to Contract No. 5706A - AirTrain Domestic Terminal Stations  
Dennis J. Amoroso Construction Co., Inc. - \$935,000

No. 03-0074

Resolution approving an increase to the construction contract with Dennis J. Amoroso Construction Co., Inc., in the amount of \$935,000, for a new contract value of \$36,328,175 for additional scope for the Air Train Domestic Terminal Stations contract.

Funding for this modification is available from under-run transfers on other Master Plan Projects.

Mr. Ivar Satero, Bureau of Design and Construction, said that this modification provides for various changes to the AirTrain Stations which were required in preparation of the AirTrain opening this past March.

Funding for this modification will be provided from transfers from funding underruns on other Master Plan Projects. The costs have been included in the forecast presented to the Commission. There will be no impact to the Master Plan budget.

At the time of award the HRC approved a combined MBE/WBE subcontractor participation goal of 10.19%. Through this modification the contractor will have achieved a combined goal 11.11%.

This work is substantially complete. One more modification is anticipated to close out this contract.

Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.



4. Approval Exercising the Five-Year Option of the Agreements for Rental Car Operations

No. 03-0075

Resolution approving the exercising of the Five-Year Option of the Agreements for Rental Car Operations.

Mr. Leo Fermin, Acting Deputy Director, Business and Finance explained that the first five year term for all rental car leases expires on December 31, 2003. The Commission has the right to extend the leases for a second five year period under the same terms and conditions.

Given the current economic situation in the industry, staff recommends that the Commission exercise the five year option rather than putting out a new bid.

The extension requires written notice to the rental car companies by June 29, 2003. This notice must inform them of any adjustment to their space rent, reflecting the most recent appraisals of the current market value of the land. According to the leases, if any company is unwilling to renew for the option period, they will be released from the obligation to extend the term, provided they give the Airport written notice within 60 days of receiving the Airport's extension notice.

Commissioner Ito asked if any of these companies are in Chapter 11.

Mr. Fermin responded that ANC and Budget have both filed for Chapter 11.

Commissioner Ito asked if these firms are capable of signing a five year lease extension.

Mr. Fermin responded that staff has not received any indication that the firms are unwilling. Further, we have discussed with the rental car companies the Airport's intention to exercise the option and not have received any negative feedback.

Commissioner Ito noted that at least one of these companies was involved in litigation regarding discriminatory treatment of customers and they were required, through a legal agreement, to provide training to their staff. She would like a report on their compliance with that agreement, and, if there have been additional complaints that may not have raised to a litigation level.

Mr. Martin responded that he will have Sandra Crumpler provide a written report. Gloria Louie was also involved in working with them on a training program. Although he has not seen any new complaints, he will formally review it with staff and provide a written report to the Commission.

Item No. 5 was moved by Commissioner Crayton and seconded by Commissioner Strunsky. The vote to approve was unanimous.

5. Advertising Program Lease No. 00-0408 - Clear Channel Outdoor dba Clear



## Channel Airports

No. 03-0076

Resolution approving (1) additional advertising locations in the Airport's Terminal Concourses, Boarding Areas, Connectors, and AirTrain station and platforms, and, (2) increases in the Minimum Annual Guarantee (MAG) for the remainder of the Term for Airport Advertising Lease No. 00-0408, increasing the MAG over the last three year period from \$13.3 million to \$14.8 million.

Mr. Fermin explained that the Commission originally approved the placement of advertising in the parking garages, connectors, and elevator cores, as well as in the rental car centers, shuttle and bus stops.

Last year advertising was extended to the baggage claim areas and the I.T. sterile corridor, with a corresponding increase in the minimum annual guarantee. Staff is now requesting approval to add advertising in the terminal concourses and boarding areas, as well as in the AirTrain stations and platforms. Approximately 109 different advertising pieces will be added throughout the terminal complex. In exchange, the minimum annual guarantee will be increased by \$1.5 million over the last three years of the lease, which expires on March 31, 2006.

Commissioner Strunsky reminded the Commission of his relationship with a totally separate division of Clear Channel, the corporation. It was determined at that time by then Airport General Counsel Mara Rosales that because it was a completely separate division he could vote on Clear Channel issues.

Commissioner Crayton asked if it was going to be a large screen, similar to the one at the Oakland Coliseum.

Mr. Fermin responded that there will be four different types of advertising pieces ranging in signs that measure 2 feet by 4 feet, to the largest sign which would be a wall wrap of about 10 feet by 20 feet. Most of the signs will be illuminated, such as the ones that are found at the escalators to the parking garages.

Commissioner Ito asked how many large signs there will be.

Mr. Martin responded that there will be two of them ... above the parking garage and the garage elevator cores.

Commissioner Crayton asked if they will obstruct other signage.

Mr. Fermin responded that they will not ... staff walked through the areas to determine the best placement to avoid obstructing signage.

Commissioner Ito asked if we knew the sponsors of the wall wraps.

Mr. Martin responded that we do not.





Commissioner Ito wanted to know who the sponsors are before the signs went up.

Mr. Martin added that a committee will review advertising. We have a check mechanism in place to make sure that the advertising is not inappropriate.

Commissioner Crayton noted that we cannot control that.

Commissioner Ito said that we need to be sure that advertising being placed on City property is appropriate.

Mr. Martin said that Dave Pfeiffer has a mechanism in place and will provide a follow up report on how it will work.

Item No. 6 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

6. Airport Improvement Program Grant Nos. 25 and 26 - Execution and Filing with the Federal Aviation Administration

No. 03-0077	Resolution authorizing the Airport Director to execute and file Airport Improvement Program Grant Nos. 25 and 26 with the Federal Aviation Administration, for a total amount of \$19,363,285.
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Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance said that this resolution gives the Director authority to apply for, accept and expend grant funds, AIP Nos. 25 and 26. AIP No. 25 is our entitlement grant which is based on passengers; AIP No. 26 is discretionary and includes money that the Federal government has set aside for San Francisco under the omnibus earmark. If there is enough discretionary funding nationwide then this portion is earmarked for San Francisco.

\* \* \*

I. **CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:**

The Consent Calendar, Item Nos. 7 through 17, was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

7. New International Terminal Newsstands Lease and Terminal 3 Concourse Newsstand Lease

No. 03-0078	Resolution approving the proposed minimum qualification requirements and lease specifications, and authorizing staff to conduct a pre-proposal conference for the New International Terminal Newsstands Lease and Terminal 3 Concourse Newsstand Lease.
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8. Award Contract 8235B - As Needed General Construction - Domestic Terminals Food & Beverage Redevelopment - Resource & Design, Inc. - \$395,700

No. 03-0079                      Resolution awarding Contract 8235B, As-Needed General Construction - Domestic Terminals Food & Beverage Redevelopment, to the lowest responsive, responsible bidder, Resources & Design, Inc., in the amount of \$395,700.

9. Award Contract 8235C - As Needed Mechanical Construction - Domestic Terminals Food & Beverage Redevelopment - Schram Construction, Inc. - \$325,302

No. 03-0080                      Resolution awarding Contract 8235C, As-Needed Mechanical Construction - Domestic Terminals Food & Beverage Redevelopment, to the lowest responsive, responsible bidder, Schram Construction, Inc., in the amount of \$325,302.

Commissioner Mazzola asked why we needed these as-needed contracts (Item Nos. 8, 9 and 10) when we were laying off janitors. This money might help us if this funding was not carved out for these contracts.

Mr. Eavis responded that we are going to try to do this work with in-house staff. However, if we fall behind we will have somewhere to go to catch up with the schedule. At this point, we fully intend to use our own people.

Mr. Eavis added that this is capital money so it could not be used for labor.

Commissioner Mazzola asked how much of this money is typically used.

Mr. Eavis responded that it depends what the contract is for. If the contract is for pavement repairs, we would probably use all of it. If the contract is for replacing guardrails, we might use very little, if any at all.

These contracts are bid on mobilization plus unit prices. For example, plumbing work would be based on the size of the pipe and the length.

Commissioner Mazzola asked if this is job order contracting.

Mr. Eavis responded that it is.

Commissioner Mazzola assumed that there is a mechanism for tracking prevailing wage and if this was construction prevailing wage.

Mr. Eavis responded that it is.

10. Award Contract 8235D - As-Needed Electrical Construction - Domestic



Terminals Food & Beverage Redevelopment - Barri Electric Company - \$324,890

No. 03-0081                      Resolution awarding Contract 8235D, As-Needed Electrical Construction - Domestic Terminals Food & Beverage Redevelopment, to the lowest responsive, responsible bidder, Barri Electric Company, in the amount of \$324,890.

11.    Award Contract 3560B - Non-competitive Consultant Selection Professional Engineering Services for Terminal Upper Level Viaduct Improvement - Creegan & D'Angelo Engineers - \$345,800

No. 03-0082                      Resolution awarding Contract 3560B, Non-competitive Consultant Selection - Professional Engineering Services for Terminal Upper Level Viaduct Improvement, to Creegan & D'Angelo Engineers, in the amount of \$345,800.

12.    Modification No.1 to A-1 Security Services Contract

No. 03-0083                      Resolution authorizing Modification No. 1 to contract with A-1 Security Services for Security Guard Services in an amount not-to-exceed \$250,000 for services from July 1, 2003 through June 30, 2004.

13.    Modification No. 7 (Closeout) to Contract 5706 - AirTrain Domestic Terminal Stations Professional Services Agreement - Kwan Henmi Architecture and Planning - \$77,052

No. 03-0084                      Resolution approving Modification No. 7 to the Professional Services Agreement with Kwan Henmi Architecture and Planning for the AirTrain Domestic Terminal Stations in the amount of \$77,052, for full architectural and engineering services for additional scope of work items and to close out the contract.

Funding for this modification is available from under-run transfers on other Master Plan Projects.

14.    Contract No. 8253 Procure and Install Equipment for the Premium Parking Facility - \$65,000



No. 03-0085

Resolution authorizing execution of a sole source contract (Contract 8253) with Intertechnomics Inc. to procure and install the access control system for the premium parking facility in an amount not-to-exceed \$65,000.

Commissioner Strunsky asked if it would be possible to join our parking system to the bridge Fastrak system.

Mr. Martin responded that it is similar system, but the bridge bills in advance for a certain number of trips. If a business traveler parks for seven days, that amount will be six times the normal charge applied by Fastrak. The bridge authority would have to change its entire billing system for this type of use.

He will make a couple of calls to investigate this possibility.

15. Authorization to Expend Funds from FY 2002/2003 AIRTRANSIT Programmatic to Cover Caltrain-SFO Shuttle Month-to-Month Operating Costs for Up to 6 Months, Retroactive to April 1, 2003

No. 03-0086

Resolution authorizing Airport staff to expend funds from FY 2002/2003 AIRTRANSIT programmatic budget retroactive to April 1, 2003 to cover Caltrain-SF Shuttle month-to-month operating costs not to exceed \$25,000 per month, or a total of \$150,000 for up to six months.

16. Modification No. 3 to Contract No. 5001.01 - Professional Services Agreement for Airport Landscape Master Plan - Project Name Change to Joint Association

No. 03-0087

Resolution authorizing Modification No. 3 to Contract 5001.01, Airport Landscape Master Plan to change the Joint Association name from Merrill+Befu, Melvin Lee Associates, Orsee Design Associates, Stevens Associates, A Joint Association, to Merrill+Befu, Melvin Lee Associates, Stevens Associates, A Joint Association, to continue professional services for the Airport Landscape Master Plan.

There is no change to the current contract amount.

Commissioner Crayton thought that this project was on hold.

Mr. Martin said that Jackson Wong and Ernie Eavis found a way to proceed with the project. We took possession of the trees and plants we had already purchased. An outside contractor will install the irrigation system and Airport





staff will plant the trees and plants, however, the planting will take longer.

Mr. Ivar Satero, Bureau of Design and Construction said that the original design will be followed.

17. Authorization to Modify Contract for the Ongoing Development and Implementation of an International Strategic Marketing Alliance with the San Francisco Convention & Visitors Bureau

No. 03-0088

Resolution authorizing Modification No. 4 to the Professional Services Contract with The San Francisco Convention and Visitors Bureau for the Ongoing Development and Implementation of an International Strategic Marketing Alliance to increase the amount by \$240,000 and to extend the term from July 1, 2003 through June 30, 2004; All other terms and conditions of the contract remain in full force and effect.

Commissioner Ito asked what we will receive for the additional dollars.

Mr. Martin explained that the original funding was for an office in Japan. The additional funding is for an office in China.

\* \* \*

I. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Mr. Barry Taranto, cab driver, offered his condolences to the Commission on the passing of Airport Commission President Henry Berman. He said that Commissioner Berman was an exceptional individual and very fair, addressing taxi and transportation issues in an equitable manner. He hoped that the new Commission President and the new member will apply those same standards.

Mr. Taranto said that solicitation in the terminals is at an all time high and the GTU of the Police Department is not staffed sufficiently to take care of all of the problems. He asked the Commission to prepare a resolution to forward to the Police Department requesting the expansion of the GTU, or, to provide more police officers to address the problem. He also suggested having more police in the baggage areas to monitor this situation, as well as having these types of complaints responded to over the phone rather than treating the cab drivers who call in complaints as suspects. He had planned on attending the Police Commission meeting last week to complain, but the Police Commission did not meet.



There is also a problem of renegade cab drivers by-passing the staging lots and going directly to the terminals to pick up. The contractor needs to do a better job in monitoring the cabs. Staff, especially Tryg McCoy and Alice Sgourakis, have helped by adding two hours to the International Terminal dispatching between 8:00 A.M. and 10:00 A.M. This was a monumental step.

He suggested that the Commission ask for help from the cab drivers in endorsing the Airport budget to insure full staffing on July 1. This improves working conditions and income for the cab drivers, but will also put more people to work.

\* \* \*


J. CORRESPONDENCE:

There was no discussion by the Commission.

\* \* \*

L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:12 A.M.

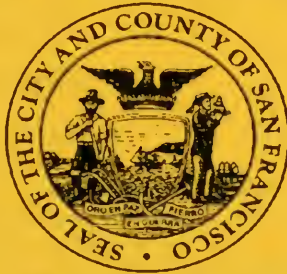
  
Jean Caramatti  
Commission Secretary



JUN 25 2003

SAN FRANCISCO  
PUBLIC LIBRARY

# **SAN FRANCISCO AIRPORT COMMISSION**



## **MINUTES**

**June 3, 2003**

**9:00 A.M.**

**Room 400 - City Hall  
#1 Dr. Carlton B. Goodlett Place  
(400 Van Ness Avenue)  
City and County of San Francisco**

**WILLIE L. BROWN, JR., MAYOR**

**COMMISSIONERS**

**LARRY MAZZOLA**

**President**

**MICHAEL S. STRUNSKY**

**Vice President**

**LINDA S. CRAYTON**

**CARYL ITO**

**ELEANOR JOHNS**

**JOHN L. MARTIN**

**Airport Director**

**SAN FRANCISCO INTERNATIONAL AIRPORT  
SAN FRANCISCO, CALIFORNIA 94128**



Minutes of the Airport Commission Meeting of  
June 3, 2003

CALENDAR SECTION	AGENDA ITEM	TITLE	RESOLUTION NUMBER	PAGE
A.		CALL TO ORDER:		4
B.		ROLL CALL:		4
C.		CLOSED SESSION:		4
		Pending Litigation:		
		CCSF v Tutor-Saliba		
		CCSF v Scott Co, et al		
		CCSF v Spencer et al		
		Waterkeepers North. Calif. et al v CCSF	03-0089	
		Potential Litigation		
D.		ADOPTION OF MINUTES:		
		Special meeting of May 12, 2003	03-0090	4-5
E.		ANNOUNCEMENT BY SECRETARY:		5
F.		SPECIAL ITEM:		
	1.	Retirement Resolution - Frank Cardarelli	03-0091	5
	2.	Retirement Resolution-Dominic Tringale	03-0092	5
	3.	Retirement Resolution-Michael Johnson	03-0093	5
	4.	Retirement Resolution - Yoshio Tanisaki	03-0094	5-6
G.		ITEMS INITIATED BY COMMISSIONERS:		6
H.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	5.	Consideration and Possible Approval of Advance Agreement Proposal to Fund Tutor-Saliba Litigation		6
	6.	Award Contract 4083 - Boarding Area D Apron Rehabilitation - Ghilotti Brothers	03-0095	6-7
	7.	Award Contract 3842R - Terminal 3 Boarding Areas E and F Carpet Replace- ment - Resource &Design	03-0096	7





8.	Modification 8 to Professional Services Contract 5700CM - Construction Management Services for AirTrain System - PGH Wong Engineering/Luster Construction	03-0097	7-8
9.	Designate Additional \$10 Million of PFC Revenues for Payment of Debt Service in FY 2003/04	03-0098	8-9
10.	Request Authorization to Negotiate and Execute a Memorandum of Agreement with the TSA	03-0099	9
11.	FY 2003/04 Airport Rates and Charges	03-0100	10-11

I. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

12.	Modification No. 3 to Contract OPS PS 01-8022 - Curbside Management Program -ShuttlePort/DAJA Joint Venture	03-0101	11
13.	Modification No. 3 to Legal Services Agreement with Morrison & Foerster	03-0102	11
14.	Modification No. 1 to Professional Legal Services Agreement with Moscone, Embledge & Quadra	03-0103	11
15.	Modification No. 3 to Professional Legal Services Agreement with Palmer & Dodge	03-0104	12
16.	Termination of Professional Services Agreement with Remy, Thomas, Moose (now known as Remy, Thomas, Moose and Manley)	03-0105	12
17.	Termination of Professional Legal Services Agreement with Morrison & Foerster	03-0106	12
18.	Termination of Professional Legal Services Agreement with Hopkins & Sutter (now known as Foley & Lardner)	03-0107	12
19.	Termination of Professional Legal Services Agreement with Sheppard, Mullin, Richter & Hampton	03-0108	12
20.	Termination of Professional Services Agreement with Erickson, Beasley, Hewitt & Wilson	03-0109	12



21.	Cost of Issuance Resolution	03-0110	13
22.	Authorization to Enter into a Contract with SamTrans to Help Defray the Unrecovered Cost of Operating Route 397 Owl Bus Service	03-0111	13
23.	Airport shuttle Bus Agreement	03-0112	13
24.	Modification No. 4 - Information Booth Program Contract - Polaris/TRG Joint Venture	03-0113	13
25.	Settlement of Unlitigated and Litigated Claims for FY 2001/02	03-0114	13

J. NEW BUSINESS:

Curbside Coordination Contract	13-14
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K. CORRESPONDENCE: 14

L. ADJOURNMENT: 14



# AIRPORT COMMISSION MEETING MINUTES

June 3, 2003

## A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:09 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

## B. ROLL CALL:

Present: Hon. Larry Mazzola, President  
Hon. Michael S. Strunsky, Vice President  
Hon. Linda S. Crayton  
Hon. Caryl Ito  
Hon. Eleanor Johns

\* \* \*

## C. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:10 A.M. to go into closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled CCSF v Tutor-Saliba, U.S. District Court Case No. C02-5286ED; CCSF v Scott Co., et al, Santa Clara Superior Court Case No. 787-323; and CCSF v Spencer et al, U.S. District Court Case No. C02-5086PJH; and Settlement of Litigation entitled Waterkeepers of Northern California, et al v CCSF, San Francisco Superior Court Case No. 501-511; and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 11:09 A.M. The Commission voted unanimously to disclose the Settlement of Litigation entitled Waterkeepers of Northern California, and, the unanimous vote to authorize the Director to pay the law firm of Farella, Braun and Martel for their 60 days of work in connection with the Tutor-Saliba lawsuit and any additional work requested by the Airport Commission.

\* \* \*

## D. ADOPTION OF MINUTES:



The minutes of the special meeting of May 12, 2003 were unanimously adopted.

No. 03-0090

\* \* \*

- E. ANNOUNCEMENT BY SECRETARY: Unanimous adoption of Resolution No. 03-0071 regarding the settlement of litigation entitled Dillingham Construction v CCSF in the amount of \$2,400,000 at the closed session of May 12, 2003.

\* \* \*

F. SPECIAL ITEM:

Item Nos. 1 through 4 were called together. The items were moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

1. Retirement Resolution - Mr. Frank Cardarelli

No. 03-0091

Mr. John Martin, Airport Director said that Mr. Cardarelli is the head of the landscaping department. He has been with the City for 39 years, 23 of which have been at the Airport. The landscaping was always kept in excellent condition, especially during the difficult period of the Master Plan.

2. Retirement Resolution - Mr. Dominic Tringale

No. 03-0092

Mr. Martin said that Mr. Tringale was an Airfield Safety Officer for over 30 years. He has played a very important safety role at the Airport and has been respected by his peers for helping to promote a positive work environment and setting a standard for other employees.

3. Retirement Resolution - Mr. Michael Johnson

No. 03-0093

Mr. Martin said that Mr. Johnson is retiring as an Assistant Mobile Equipment Supervisor after 29 years with the City, 23 of which were spent at the Airport. Last year Mr. Johnson was named Maintenance Employee of the Year.

4. Retirement Resolution - Mr. Yoshio Tanisaki

No. 03-0094





Mr. Martin said that Mr. Tanisaki is retiring after 11 years as an Airport Automotive Service Worker. This resolution recognizes his excellent and dependable service to the Airport.

Commissioner Mazzola offered his congratulations to each of the retirees and thanked them for their years of service to the Airport.

\* \* \*

G. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

\* \* \*

H. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 5 was removed from the calendar.

5. Consideration and Possible Approval of Advance Agreement Proposal to Fund Tutor-Saliba Litigation

Resolution adopting policy decision regarding the advance agreement as approved by the Federal Aviation Administration to fund Tutor-Saliba litigation.

Item No. 6 was moved by Commissioner Ito and seconded by Commissioner Mazzola. The vote to approve was unanimous.

6. Award Contract No. 4083 - Boarding Area 'D' Apron Rehabilitation - Ghilotti Brothers, Inc. - \$10,894,782

No. 03-0095

Resolution awarding Contract No. 4083, Boarding Area 'D' Apron Rehabilitation, to the lowest responsive, responsible bidder, Ghilotti Brothers, Inc., in the amount of \$10,894,782.

Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance explained that this project will change the apron from the current 10 gates to 14 gates. Piles will be driven for the loading bridges and the stairway towers, the drainage patterns and the sloping of the aprons will be changed so that the planes can be accommodated, as well as the fueling systems that go into those various gate positions.

The project will be 75% funded by the FAA.

Commissioner Strunsky asked why were doing this work now.



Mr. Eavis explained that this money comes from an entitlement grant. If we cancel the work on this grant the FAA will not allow us to reprogram it to something else and the 75% cost would be lost.

Commissioner Johns asked when we will be able to use Boarding Area D.

Mr. Martin responded that it all depends on what happens to the economy, and whether a low cost carrier starts building up service quickly in San Francisco.

Construction timeline is about 18 months. We are at least eight months away, at the most optimistic, from starting the construction program for Terminal 2.

Item No. 7 was moved by Commissioner Ito and seconded by Commissioner Strunsky. The vote to approve was unanimous.

7. Award Contract No. 3842R - Terminal 3 Boarding Areas 'E' and 'F' Carpet Replacement - Resource & Design, Inc. - \$1,331,720

No. 03-0096                      Resolution awarding Contract 3842R, Terminal 3 Boarding Areas 'E' and 'F' Carpet Replacement, to the lowest responsive, responsible bidder, Resource & Design, Inc., in the amount of \$1,331,720.

Mr. Eavis explained that this contract will replace carpet in the public areas of Boarding Areas E and F, as well as the gaterooms. The carpet in that area was last replaced in 1989. We usually replace carpets within eight to 10 years.

Commissioner Mazzola noted that two contractors were listed ... one to remove the carpet and one to install. Marinship is listed as a subcontractor to remove the carpet. He thought Marinship was an underground piping contractor.

Mr. Eavis responded that Marinship is a general engineering contractor.

Item No. 8 was moved by Commissioner Ito and seconded by Commissioner Mazzola. The vote to approve was unanimous.

8. Modification No. 8 (Close-out) to Professional Services Contract No. 5700CM - Construction Management Services for the AirTrain System - PGH Wong Engineering / Luster Construction Management - \$650,000

No. 03-0097                      Resolution approving Close-out Modification No. 8 to the Professional Services Agreement, Contract 5700CM, Construction Management Services for the AirTrain System with PGH Wong Engineering / Luster Construction Management in the amount of \$650,000, for a proposed new total contract amount not to exceed \$33,497,367.



This modification is required as a result of the AirTrain collision which occurred on August 4, 2002, delaying the opening of AirTrain. The Airport requires extended construction management support due to the unanticipated delay. The Funding source is from transfers from other Master Plan project funds. This modification will not impact the Master Plan Budget. This Modification will be submitted to the Board of Supervisors for approval pursuant to City Charter Section 9.118(b).

Mr. Ivar Satero, Bureau of Design and Construction, explained that this is the close-out modification and provides for the extended construction management services that were necessitated due to the AirTrain collision that occurred on August 4, 2002. The funding will be provided from existing funds from other Master Plan projects with underruns. The costs that we incur will be reimbursed through the Airport's recovery of total costs and related damages due to this collision. Recovery will be through the contractor or applicable insurance provisions.

The MBE/WBE goals for this contract at the time of award were 17% and 3% respectively. The contractor, through this modification, will have achieved 21.2% MBE and 1.5% WBE participation.

This modification, as well as the subsequent modification, will require Board of Supervisors approval. The collision had occurred before the Board received the package for the previous modification. That package identified the potential for the additional modification.

Commissioner Strunsky suggested that language be included in the Board of Supervisors package indicating that this money will be reimbursed by insurance or Bombardier.

Commissioner Johns said that on a recent tour of the AirTrain system she noticed puddling on the tracks and asked if that was something that needed to be addressed prior to the expiration of the contract.

Mr. Satero responded that there are areas that have significant puddling and sump pumps have been placed in those areas. The contractor said that the one half inch to three quarters of an inch of water is an acceptable level of water to remain in the guideway and does not adversely impact the train. All of the drainage issues have been assessed, but not all of them have been resolved. They do need to be addressed prior to final close-out.

Item No. 9 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

9. Designate Additional \$10 Million of Passenger Facility Charge ("PFC") Revenues



for Payment of Debt Service in Fiscal Year 2003/04

No. 03-0098

Resolution designating additional \$10 million of Passenger Facility Charge revenue for payment of debt service in Fiscal Year 2003/04.

Mr. Leo Fermin, Acting Deputy Director, Business and Finance explained that the Airport has been collecting a \$4.50 passenger facility fee since October 1, 2001. These collections can be used concurrently for three purposes, (1) to reimburse ourselves for capital funds, (2) to pay for debt service cost, and, (3) to set aside money to be used to retire outstanding Master Plan bonds as they become callable several years from now.

This past March 25 the Commission authorized that \$46.1 million of PFC collections in FY 2003/04 be used to pay for debt service costs. Since then the outbreak of SARS has negatively affected air traffic and passenger levels. In the event passenger traffic and revenues do not materialize to the levels we forecasted in our budget, we are requesting Commission approval to apply up to an additional \$10 million as needed in order to offset shortfalls in non-airline revenues and thus keep airline landing fees and terminal rental rates stabilized. Should any of this \$10 million not be needed, then those monies will be kept to be used for future retirement of bonds, or to reimburse the Airport for capital funds used in previous years.

Item No. 10 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

10. Request Authorization to Negotiate and Execute a Memorandum of Agreement (MOA) with the Transportation Security Administration (TSA), Agreeing to Implement Permanent In-Line Explosive Detection Baggage Inspection Systems (EDS) at the Domestic Terminals

No. 03-0099

Resolution authorizing the Airport Director to negotiate and execute a Memorandum of Agreement (MOA) with the Transportation Security Administration (TSA), agreeing to implement permanent in-line Explosive Detection Baggage Inspection Systems at the domestic terminals, in the estimated total amount of \$22 million. Approximately 75% of the amount will be reimbursed by the TSA pursuant to a Letter of Intent (LOI).

Mr. Eavis explained that the current security system in the International Terminal is an automated in-line EDS system. An interim solution was installed in the domestic terminals which is a combination of partial in-line systems plus CTX machines in the lobby of the terminals and other detection devices.

This item seeks approval for a Memorandum of Agreement with the TSA in which





the Airport will complete the installation of a 100% automated EDS in the domestic terminals. The funding vehicle for the agreement will be a Letter of Intent. As Congress approves the funding over the next four years, money will be appropriated to us as 75% payment for the work that is done for the security system.

The FAA has never reneged on a Letter of Intent in this region. This appears to be a fairly safe method to insure that we will get paid for the work we will do.

Commissioner Strunsky asked if the Commission was authorizing an expenditure.

Mr. Eavis responded that the Commission is authorizing an MOA and the LOI. Commission approval will be sought prior to work commencing on specific contracts.

Item No. 11 was moved by Commissioner Ito and seconded by Commissioner Mazzola. The vote to approve was unanimous.

11. Fiscal Year 2003/04 Airport Rates and Charges

No. 03-0100                                      Resolution establishing Airport Rates and Charges for FY 2003/04.

Mr. Fermin explained that this is the second year in a row in which we have been able to gradually decrease airline costs to operate at SFO. For next year we were able to reduce the landing fee rate by 1.4%, from \$3.98 per thousand pounds to \$3.93. Further, terminal rental rates will decrease by 1.3% from an effective average of \$99.28 to \$97.88. Most other rates and charges will either remain unchanged, and in a few minor instances such as the Wastewater Treatment charges, the rates will be slightly increased to account for inflation.

These reductions in landing fees and terminal rental rates result from our budget reductions, the refunding of outstanding bonds we did to lower some debt service costs, and the use of PFC revenues to pay debt service. Over the next several years we are projecting that we will be able to reduce the airline cost per enplaned passenger by approximately 26%, from a high of close to \$20 several years ago, down to about \$14.50.

As required by the Lease and Use Agreement, we have conferred with the airlines regarding the proposed rates and charges for next year.

Commissioner Johns asked if there is a net change.

Mr. Fermin responded that overall the rates and charges are a mixed bag of all different kinds of charges and fees. The one common denominator that the industry uses to measure the level of rates and charges at airports throughout the country is a measurement call the "Airline Cost Per Enplaned Passenger" which is a blending of what the airlines pay for landing fees and terminal rental rates. We are projecting that the airline cost per enplaned passenger will decrease about



14%, from \$20.00 to about \$17.27.

\* \* \*

I. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 12 through 25, was moved by Commissioner Ito and seconded by Commissioner Strunsky. The vote to approve was unanimous.

12. Modification No. 3 to Contract No. OPS PS 01-8022 - Curbside Management Program - ShuttlePort/Daja SFO Joint Venture - \$2,389,405

No. 03-0101                      Resolution exercising the second contract renewal option with ShuttlePort/DAJA SFO Joint Venture extending the term of the contract from July 1, 2003 to June 30, 2004 for an amount not to exceed \$2,389,405.

Commissioner Ito asked how the reduction in this contract impacted the overall movement of traffic.

Ms. Alice Sgourakis, Landside Operations explained that this particular portion of the Shuttleport/DAJA contract is basically for taxi dispatching and administration. The door-to-door van curb coordination is billed directly to the door-to-door van operators and basically remains the same. It is not part of this contract. We are increasing the number of hours for taxi dispatching ... it is currently 8:00 A.M. to 12:00 A.M.; effective July 1 it will be 7:00 A.M. to 1:00 A.M. This will provide better coordination and control at the curb.

13. Modification No. 3 to Legal Services Agreement with Morrison & Foerster LLP (Noise Issues/Environmental Law Contract) - \$250,000

No. 03-0102                      Resolution approving Modification No. 3 to legal services agreement with Morrison & Foerster LLP for Noise Issues/Environmental Law, increasing compensation by the amount of \$250,000; all other terms and conditions to remain the same.

14. Modification No.1 to Professional Legal Services Agreement with Moscone, Emblidge & Quadra LLP - \$100,000

No. 03-0103                      Resolution approving Modification No.1 to Legal Services Agreement with Moscone, Emblidge & Quadra LLP to increase compensation by the amount of \$100,000; all other terms and conditions to remain the same.



15. Modification No. 3 to Professional Legal Services Agreement with Palmer & Dodge LLP - \$100,000

No. 03-0104

Resolution approving Modification No. 3 to legal services agreement with Palmer & Dodge LLP to increase compensation by the amount of \$100,000; all other terms and conditions to remain the same.

16. Termination of Professional Services Agreement with Remy, Thomas Moose, LLP (now known as Remy, Thomas, Moose & Manley)

No. 03-0105

Resolution terminating the Professional Services Agreement with Remy, Thomas & Moose, LLP now known as Remy, Thomas, Moose & Manley).

17. Termination of Professional Legal Services Agreement with Morrison & Foerster LLP (Aviation Law Contract)

No. 03-0106

Resolution approving termination of Professional Legal Services Agreement with Morrison & Foerster LLP (Aviation Law Contract).

18. Termination of Professional Legal Services Agreement with Hopkins & Sutter (Now known as Foley & Lardner)

No. 03-0107

Resolution approving termination of Professional Legal Services Agreement with Hopkins & Sutter (now known as Foley & Lardner).

19. Termination of Professional Legal Services Agreement with Sheppard, Mullin, Richter & Hampton LLP

No. 03-0108

Resolution approving termination of Professional Services Agreement with Sheppard, Mullin, Richter & Hampton LLP.

20. Termination of Professional Services Agreement with Erickson, Beasley, Hewitt & Wilson

No. 03-0109

Resolution approving termination of Professional Services Agreement with Erickson, Beasley, Hewitt & Wilson.



21. Cost of Issuance Resolution

No. 03-0110

Resolution amending the 1991 Master Bond Resolution to provide for a costs of issuance fund to be held by the Bond Trustee.

22. Authorization to Enter into a Contract with SamTrans to Help Defray the Unrecovered Cost of Operating the Route 397 Owl Bus Service - \$180,000

No. 03-0111

Resolution authorizing entering into a contract with SamTrans to defray the unrecovered costs of operating the Route 397 Owl Bus Service for one year, with up to four one-year renewal options at an annual cost not-to-exceed \$180,000 for the FY from July 1, 2003 thru June 30, 2004.

23. Airport Shuttle Bus Agreement

No. 03-0112

Resolution adjusting the basic hourly and incremental billing rates for shuttle bus service for the year commencing January 1, 2003.

24. Modification No. 4 - Information Booth Program Contract - Polaris / TRG Joint Venture - \$525,000

No. 03-0113

Resolution authorizing Director to execute Modification No. 4 exercising the second of four one-year renewal options of the Information Booth contract with Polaris / TRG Joint Venture for a total budget not to exceed \$525,000 for the contract year from July 1, 2003 to June 30, 2004.

25. Settlement of Unlitigated and Litigated Claims for Fiscal Year 2001/02

No. 03-0114

Resolution ratifying the settlement of unlitigated and litigated claims for Fiscal Year 2001/02 amounting to \$25,413.25.

\* \* \*

I. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.





Mr. Barry Taranto, representing cab drivers, welcomed Commissioner Johns. He said that he was happy to see this contract approved because the hours need to be more in line with what is happening at the Airport. It is better that the drivers are dispatched from the garage staging lot.

Mr. Taranto offered his condolences to Commissioner Strunsky on the death of his father.

He hoped that everyone will be at the Board of Supervisors meeting on this contract. Jackie Besser has been helpful and accommodating in resolving problems. It is better to work with the current contractor to solve the problems than to try and bring in someone new. Politics should not be a part of this. Ms. Besser has hired some wonderful people who have tried to solve the problems. There are members of the Board of Supervisors and their staff that are trying to make this political. It is not political; it is economic and customer service related.

\* \* \*

J. CORRESPONDENCE:

There was no discussion by the Commission.

\* \* \*

L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 11:38 A.M.

  
Jean Caramatti  
Commission Secretary



Minutes of the Airport Commission Meeting of  
June 17, 2003

CALENDAR AGENDA		RESOLUTION	
SECTION	ITEM TITLE	NUMBER	PAGE
A.	CALL TO ORDER:		3
B.	ROLL CALL:		3
C.	ADOPTION OF MINUTES:		
	Regular meeting of June 3, 2003	03-0115	3
D.	ANNOUNCEMENT BY SECRETARY:		3
E.	ITEMS INITIATED BY COMMISSIONERS:		3
F.	ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	1. Reimbursable Professional Services Agree- ment with The Boeing Company	03-0116	4
	2. Modification No. 1 to Contract 4094 - As-Needed Pavement Repair & Reconstruction, 2000-2001	03-0117	4
	3. Award Contract 4511 - T1 West End Skylight and Interior Improvements - Transition Contractors	03-0118	5
G.	CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
	4. Award Contract for Issuing and Paying Agent in Connection with the Airport's Commercial Paper Program - Wells Fargo Bank	03-0119	5
	5. Authorization to Issue a Request for Proposals for a firm to Serve as an Airport Management Consultant	03-0120	5
	6. Modification No. 3 to Aircraft Noise Monitoring Maintenance Agreement with BAE SYSTEMS Integrated Defense Solutions Inc.	03-0121	5-6
	7. Modification No. 6 to Professional Services Contract to Provide Continued International and Domestic Aviation Development Services		

	- Gerchick-Murphy Associates	03-0122	6
8.	Authorize Staff to Seek, Accept and Expend Funds from Bay Area Air Quality Management District for Clean Air Vehicles	03-0123	6
H.	NEW BUSINESS:		6
I.	CORRESPONDENCE:		6
J.	CLOSED SESSION:		7
	Pending Litigation: CCSF v Tutor-Saliba Potential Litigation		
K.	ADJOURNMENT:		7

## AIRPORT COMMISSION MEETING MINUTES

June 17, 2003

### A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 10:00 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

### B. ROLL CALL:

Present: Hon. Larry Mazzola, President  
Hon. Michael S. Strunsky, Vice President  
Hon. Caryl Ito  
Hon. Eleanor Johns

Absent: Hon. Linda S. Crayton

\* \* \*

### C. ADOPTION OF MINUTES:

The minutes of the regular meeting of June 3, 2003 were adopted unanimously.

No. 03-0115

\* \* \*

- D. ANNOUNCEMENT BY SECRETARY: Unanimous adoption of Resolution No. 03-0089 regarding the settlement of litigation entitled Waterkeepers of Northern California, et al v CCSF; and, authorize staff to pay Farella, Braun and Martel for the 60 days of work in connection with the Tutor-Saliba lawsuit and any additional work requested by the Airport Commission, at the closed session of June 3, 2003.

\* \* \*

### E. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

\* \* \*

### F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was moved by Commissioner Strunsky and seconded by Commissioner Mazzola. The vote to approve was unanimous.

1. Reimbursable Professional Services Agreement with The Boeing Company

in the Estimated Amount of \$995,000

No. 03-0116

Resolution authorizing the Airport Director to enter into a Reimbursable Professional Services Agreement with The Boeing Company in the estimated amount of \$995,000 to implement permanent explosive detection baggage inspection systems for United Airlines, Delta Airlines, and Northwest Airlines.

The Airport's costs will be fully reimbursed by The Boeing Company.

Mr. Ivar Satero, Bureau of Design and Construction explained that the TSA has contracted with the Boeing Company to implement permanent explosive detection baggage inspection systems (EDS) for United Airlines (final phase) Delta Airlines and Northwest Airlines at SFO. Boeing and SFO have determined that the most efficient means of managing and designing this project to satisfy both the TSA's and the Airport's requirements is for the Airport to provide project management, construction management and building infrastructure design services pursuant to a reimbursable agreement with the Boeing Company. The Airport's cost, estimated at \$995,000, will be fully reimbursed by Boeing.

Later this year the Airport will implement permanent EDS systems for the remaining airlines (American, American Trans Air, Alaska, America West, US Air and Air Canada) through a memorandum of agreement with the TSA.

Item No. 2 was moved by Commissioner Strunsky and seconded by Commissioner Mazzola. The vote to approve was unanimous.

2. Modification No. 1 to Contract No. 4094 - As-Needed Pavement Repair & Reconstruction, 2000-2001 - \$825,000

No. 03-0117

Resolution approving Modification No.1 to Contract No. 4094, As-Needed Payment Repair & Reconstruction, 2000-2001, in the amount of \$825,000.

Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance explained that the original scope of work for this contract included providing 24-hour on-call construction service to repair, reconstruct, and resurface the Airport's paved surfaces, including paving and pavement grinding, excavation and concrete work. This modification will provide for the completion of road paving and related construction tasks for the area west of Bayshore.

This work was deferred in order for BART to complete construction into the Airport.

Item No. 3 was moved by Commissioner Strunsky and seconded by Commissioner Mazzola. The vote to approve was unanimous.

3. Award of Contract No. 4511 - T1 West End Skylight and Interior Improvements  
Transition Contractors, Inc. - \$347,000

No. 03-0118	Resolution awarding Contract No. 4511, T1 West End Skylight and Interior Improvements, to the lowest responsive, responsible bidder, Transition Contractors, Inc., in the amount of \$347,000.
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Mr. Eavis explained that this contract will repair the existing skylight, retrofit the existing gutter system and improve the interior condition deteriorated by rainwater leaks.

Best Roofing and Waterproofing, Inc., the third apparent low bidder, filed a protest against the first and second low bidders, contending that both bidders did not meet the experience and financial qualifications, subcontractors listing requirements, and safety experience. Airport and City Attorney staff have determined that the allegations made against TCI, the apparent low bidder, are without merit and that TCI is eligible for award of this contract.

\* \* \*

G. **CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:**

The Consent Calendar, Item Nos. 4 through 8, was moved by Commissioner Ito and seconded by Commissioner Strunsky. The vote to approve was unanimous.

4. Award Contract for Issuing and Paying Agent in Connection with the Airports Commercial Paper Program - Wells Fargo Bank

No. 03-0119

Resolution authorizing the Airport Director to enter into an Agreement with Wells Fargo Bank to provide Issuing and Paying Agent services in connection with the Airport's Commercial Paper Program.

5. Authorization to Issue a Request for Proposals for a Firm to Serve as an Airport Management Consultant

No. 03-0120

Resolution authorizing the issuance of a Request for Proposals for a firm to serve as a feasibility consultant as well as to provide general airport management consulting services.

6. Modification No. 3 to the Aircraft Noise Monitoring Maintenance Agreement with BAE SYSTEMS Integrated Defense Solutions Inc. - \$118,374

No. 03-0121

Resolution authorizing Modification No. 3 to the Aircraft Noise Monitoring Maintenance Agreement with BAE SYSTEMS Integrated Defense Solutions Inc., in support of the Airport Noise Management System, to add a new and improved radar data system, extend the term of the Agreement until June 30, 2004, and increase the compensation in an amount not to exceed \$118,374 for a total contract amount not to exceed \$1,031,506.

7. Modification No. 6 to Professional Services Contract with Gerchick-Murphy Associates to Provide Continued International and Domestic Aviation Development Services - \$80,000

No. 03-0122

Resolution approving Modification No. 6 to Professional Services Contract with Gerchick-Murphy Associates to increase the amount by \$80,000 for continued International and Domestic Aviation Development Services. All other terms and conditions of the contract



remain in full force and effect.

8. Authorize Staff to Seek, Accept and Expend Funds from the Bay Area Air Quality Management District for Clean Air Vehicles

No. 03-0

Resolution authorizing Airport staff to seek, accept, and expend funds from the Bay Area Air Quality Management District to encourage Airport operators to acquire clean air vehicles.

\* \* \*

H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests to speak from the public.

\* \* \*

I. CORRESPONDENCE:

There was no discussion by the Commission.

\* \* \*

J. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 10:15 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled CCSF v Tutor-Saliba, U.S. District Court Case No. C02-5286ED; and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission reconvened its public session at 11:07 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

\* \* \*

L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 11:08 A.M.

Jean Caramatti  
Commission Secretary

San Francisco  
Minutes of the Airport Commission Special Meeting of  
June 25, 2003

CALENDAR AGENDA			RESOLUTION	
SECTION	ITEM	TITLE	NUMBER	PAGE
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B.		ROLL CALL:		2
C.		CLOSED SESSION:		
		Pending Litigation: CCSF v Tutor- Saliba		2
		Potential Litigation		
D.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS AND MAINTENANCE:		
				NOV 12 2003
				SAN FRANCISCO PUBLIC LIBRARY
	1.	Modification No. 2 to Professional Legal Services Agreement with Farella, Braun and Martel	03-0124	2-3
	2.	Rescission of Commission Resolution No. 03-0046	03-0125	3
	3.	Approve Lease with the U.S. Government	03-0126	3
E.		ITEMS INITIATED BY COMMISSIONERS:		
		Acknowledgment of Airport Employees who worked on the BART to the Airport Project		3
F.		NEW BUSINESS:		4
G.		ADJOURNMENT:		4

## AIRPORT COMMISSION SPECIAL MEETING MINUTES

June 25, 2003

### A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 8:07 AM in Room 416, City Hall, San Francisco, CA.

\* \* \*

### B. ROLL CALL:

Present:	Hon. Larry Mazzola, President
	Hon. Michael S. Strunsky, Vice President
	Hon. Linda S. Crayton
	Hon. Caryl Ito
	Hon. Eleanor Johns

\* \* \*

### C. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 8:10 A.M. and the closed session began.

The Airport Commission will convene its meeting and immediately go into Closed Session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled CCSF v Tutor-Saliba, U.S. District Court Case No. C02-5286ED; and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission reconvened its public session at 8:45 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

\* \* \*

### D. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was moved by Commissioner Strunsky and seconded by Commissioner

Crayton. The vote to approve was unanimous.

1. Modification No. 2 to Professional Legal Services Agreement with Farella, Braun and Martel - Not to exceed \$2.5 million

No. 03-0124

Item Nos. 2 and 3 were called together. The items were moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

2. Recission of Commission Resolution No. 03-0046

No. 03-0125

Resolution rescinding Commission Resolution No. 03-0046, which approved a lease with the U.S. Government for office space and a bag security office to be occupied by the Transportation Security Administration at the International Terminal.

Mr. Leo Fermin, Acting Deputy Director, Business and Finance explained that the Commission previously approved a lease with the TSA for space that they occupy at the Airport. Since then we were informed by the TSA that the Federal Government requires that space used for the screening of passengers and baggage be provided to the TSA free of charge.

Item Nos. 2 and 3 adjust for this requirement in that the revised lease does not include the Security Control Center which is a 3,300 square foot office type facility used by the TSA for the oversight of the baggage screening functions at the Airport.

3. Approval of a Lease with the U.S. Government

No. 03-0126

Resolution 1) approving a lease with the U.S. Government for office space to be occupied by the Transportation Security Administration at the International Terminal, and 2) directing the Commission Secretary to forward the lease to the Board of Supervisors for approval.

\* \* \*

#### E. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Crayton asked that those Airport employees who worked on the BART to the Airport project ... everyone from funding to working with the BART team on the project ... receive commendations. They did a commendable job and she was saddened that they were not recognized during the festivities. She would like to see a ceremony, possibly with the Mayor present, at which the commendations would be presented. They need to be

acknowledged in a manner that would be representative of the kind of work that they did to make this successful.

\* \* \*

I. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no items initiated by Commissioners.

\* \* \*

L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 8:50 A.M.

Jean Caramatti  
Commission Secretary

Minutes of the Airport Commission Special Meeting of  
July 14, 2003

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## AIRPORT COMMISSION SPECIAL MEETING MINUTES

July 14, 2003

### A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

### B. ROLL CALL:

Present:	Hon. Larry Mazzola, President
	Hon. Michael S. Strunsky, Vice President
	Hon. Linda S. Crayton
	Hon. Caryl Ito
	Hon. Eleanor Johns

\* \* \*

### J. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:02 A.M. and the closed session began.

The Airport Commission will go into Closed Session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled CCSF v. Tutor-Saliba, U.S. District Court Case No. C02-5286ED; and two settlements of unlitigated Owner Controlled Insurance Program Builders' Risk Claims of Reno Metal Products, Inc.; and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 9:27 A.M. The Commission voted unanimously to disclose the settlements of unlitigated Owner Controlled Insurance Program Builders' Risk Claims of Reno Metal Products, Inc.

\* \* \*

### C. ADOPTION OF MINUTES:

The minutes of the regular meeting of June 17, 2003 and the special meeting of June 25,

2003 were adopted unanimously.  
No. 03-0127

\* \* \*

D. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

\* \* \*

E. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

An amendment Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve the amendment was unanimous. The amended resolution for Item No. 1 was approved by a 4 to 1 vote with Commissioner Strunsky casting the dissenting vote.

1. Recission of Airport Commission Resolution Nos. 00-0349, Modification No. 2 to Professional Legal Services Contract with Farella, Braun & Martel, and 03-0124 Which Increased Funding in an Amount Not to Exceed \$2.5 million; and Approval of Funding for CCSF v. Tutor-Saliba for the City Attorney for FY 2002-2003 and in the Amount of \$2.5 million for FY 2003-2004

No. 03-0128

Resolution rescinding Airport Commission Resolution No. 03-0124, which approved Modification No. 2 to the Professional Legal Services Agreement with the law firm of Farella, Braun & Martel to increase funding in an amount not to exceed \$2.5 million; and, further rescinding Airport Commission Resolution No. 00-0349, which approved a second modification of the Farella legal services agreement in the amount of \$200,000, and, approving funding of all unreimbursed attorneys fees, litigation and expert costs incurred by the City Attorneys Office and Farella, Braun & Martel during Fiscal Year 2002-2003, pertaining to the matter of CCSF v. Tutor-Saliba Corporation, et al, U.S. District Court Case No. C-02-5286-CW; and further approving funding for the City Attorney in the amount of \$2.5 million for anticipated litigation and expert costs for Fiscal Year 2003-2004 pertaining to that same matter.

Commissioner Crayton asked for an amendment to the resolution to read "... that this Commission approves an increase in the work order budget for the City Attorney sufficient to cover all attorneys fees, litigation and expert costs incurred by the City Attorney and Farella, Braun & Martel from October 1, 2002 through June 30, 2003 ... "

Item No. 2 was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

2. Select Firms from Established Pools to Provide Investment Banking Services

No. 03-0129

Resolution authorizing selection of firms from previously established pools to provide investment banking services.

Mr. Leo Fermin, Deputy Director, Business and Finance explained that last December, after staff conducted a comprehensive evaluation and selection process, the Commission authorized the creation of several investment banking pools from which underwriters would be selected for various bond refundings and other transactions. Staff is now seeking authorization from the Commission to select firms within the pool for the next two refunding transactions.

The refunding transaction will be Issue 30 which will be callable on May 1, 2004. We first planned to attempt this transaction on an advanced or forward basis in mid-October to lock in today's currently low interest rates, and then escrow the transaction until the old bonds could be refunded on May 1, 2004. If, for any reason, it not feasible to do a forward refunding this far in advance, then we will attempt again in December and January, or, alternatively, in February.

For Issue 30 and the one after that, our plan is, to the extent possible, include all of the firms in the underwriting pool for that specific type of transaction. We will attempt to spread the participation in the bond underwriting to all of the qualified firms in the pool.

For example, if we do a negotiated placement for Issue 30, which is our current plan, we will select one firm to be the senior underwriter and let that firm underwrite approximately 50% of the bonds. We would then select a firm to be the co-senior underwriter and that firm would be given 10% of the transaction. A group of seven firms would be co-managers and collectively they would account for 30% of the bonds. The four firms in the pool which qualify as economically disadvantaged businesses would collectively receive approximately 10% of the transaction.

We would consider a firm's particular experience or track record in the specific type of financing we are doing as well as their underwriting credit, capacity, and capital issues relative to the ability to take the bonds in question in determining the level of participation in the transaction. Those firms which have the greater capital and greater capacity would tend to take a greater percentage of the bonds.

The Issue 30 refunding transaction would be anywhere from \$300-\$500 million, depending on interest rates, demand in the market for varying maturities of principal, and the ability of the underwriting firms to absorb the bonds. Once the underwriters roles and participation levels are established we would begin working with them to negotiate the actual refunding transaction.

At the end of August or the beginning of September we will return to the Commission for approval of the exact transaction and the documents needed to execute the transaction.

\* \* \*

F. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 3 through, was moved by Commissioner Clayton and seconded by Commissioner Ito. The vote to approve was unanimous.

3. Authorization to Finalize and Submit a Third Passenger Facility Charge Application ("PFC") to the Federal Aviation Administration ("FAA")

No. 03-0130

Resolution authorizing the Airport Director to finalize and submit a third Passenger Facility Charge application to the Federal Aviation Administration to continue collections of a Passenger Facility Charge ("PFC") at the San Francisco International Airport in the amount of \$4.50 per enplaning passenger. This is follow up action on an item already approved by Airport Commission.

4. Amendment to the "First Supplemental to the Master Bond Indenture Resolution"

No. 03-0131

Resolution approving an amendment to Resolution 99-0299, "First Supplemental to the Master Bond Indenture Resolution" adopted by the Airport Commission on September 12, 1999. Amendment will not require Issuing and Paying Agent banks to be headquartered in New York City, but to maintain an office in New York City.

Commissioner Strunsky asked why a San Francisco office is not mandatory.

Mr. Martin responded that there is no need because everything is done electronically.

Commissioner Strunsky argued that we should be supporting firms with at

least branch offices in San Francisco.

Commissioner Crayton said that she did not think it was necessary in this case.

Mr. Fermin added that most of the banks that do these trust services are located on the East Coast and we do everything electronically through the depositing trust corporation.

Mr. Martin added that the annual fees for this are very low, compared to the days when payments were not made electronically.

Mr. Fermin said that the annual fee is \$15,000 per year.

5. Exercising Third and Final Option to Extend Financial Advisory Services Agreement and Approving Modification No. 1 to Expand Scope of Services  
-  
Joint Venture of Public Financial Management and Backstrom, McCarley, Berry & Co., LLC

No. 03-0132

Resolution exercising the third and final one-year extension of Financial Advisory Services Agreement with the Joint Venture of Public Financial Management and Backstrom, McCarley, Berry & Co., LLC, and approving Modification No. 1 to the contract to expand the scope of services.

6. Exercising Second and Final Option to Extend the Contract with Lazard Freres & Co., LLC for One Year for Consulting Services Regarding the Airport's Bond Ratings and Modification No. 1 to Increase Fees from \$135,000 to \$160,000

No. 03-0133

Resolution exercising the second and final option to extend the contract with Lazard Freres & Co., LLC for one year for consulting services regarding the Airport's Bond Ratings, and approving Modification No. 1 to increase fees for the option year from \$135,000 to \$160,000.

7. Award of Contract No. 4497 - Professional Engineering Services - Pavement Consultant - MACTEC Engineering and Consulting, Inc. - \$480,000

No. 03-0134                      Resolution awarding Contract No. 4497, Professional Engineering Services - Pavement Consultant, to the most qualified pavement consultant, MACTEC Engineering and Consulting, Inc., in the amount of \$480,000.

\* \* \*

7. PUBLIC HEARING:

The Public Hearing was convened at 9:40 A.M. and adjourned at 9:42 A.M., there being no requests from the public to speak.

8. Authorization to Increase Airport Filming Fees

No. 03-0135                      Resolution authorizing Director to increase fees charged for commercial filming project at San Francisco International Airport.

Commissioner Strunsky asked what the Film Commission thinks about these fees.

Ms. Kandace Bender, Deputy Director, Communications and Marketing explained that this has been discussed with the Film Commission. The minimal fees we had been charging did not even cover our costs. We surveyed major airports around the country and in Canada and this is in line with what other airports are charging.

Mr. Martin added that these fees are in addition to what we would be reimbursed for actual police costs. Film companies are accustomed to paying large fees.

\* \* \*

H. NEW BUSINESS

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests from the public to speak.

\* \* \*

I. CORRESPONDENCE:

There was no discussion by the Commission.

\* \* \*

K. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:43 A.M.

Jean Caramatti  
Commission Secretary





# **SAN FRANCISCO AIRPORT COMMISSION**



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## **MINUTES**

August 19, 2003

9:00 A.M.

Room 400 - City Hall  
#1 Dr. Carlton B. Goodlett Place  
(400 Van Ness Avenue)  
City and County of San Francisco

**WILLIE L. BROWN, JR., MAYOR**

## **COMMISSIONERS**

**LARRY MAZZOLA**  
President  
**MICHAEL S. STRUNSKY**  
Vice President  
**LINDA S. CRAYTON**  
**CARYL ITO**  
**ELEANOR JOHNS**

**JOHN L. MARTIN**  
Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT**  
**SAN FRANCISCO, CALIFORNIA 94128**  
Minutes of the Airport Commission Meeting of

August 19, 2003

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## AIRPORT COMMISSION MEETING MINUTES

August 19, 2003

### A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

### B. ROLL CALL:

Present: Hon. Larry Mazzola, President  
Hon. Michael S. Strunsky, Vice President  
Hon. Linda S. Crayton  
Hon. Caryl Ito  
Hon. Eleanor Johns

\* \* \*

### C. ADOPTION OF MINUTES:

The minutes of the special meeting of July 14, 2003 were adopted unanimously.

No. 03-0138

\* \* \*

### ADDENDUM TO CALENDAR:

Item No. 17 was moved by Commissioner Strunsky and seconded by Commissioner Mazzola.

The vote  
to  
approve  
was  
unanimous.

#### 17. Domestic Terminal Food and Beverage Program Labor Enhancement Requirements

No. 03-0162

Mr. John Martin, Airport Director, explained that this item provides for the domestic terminals food and beverage operators under the new program to enter into an agreement with Hotel and Restaurant Employees Union, Local 340. Under that agreement Local 340 would agree not to engage in any picketing or work stopages,

and the food and beverage operators would agree to comply with the Airport's Worker Retention Policy and would further agree to specific provisions on the retention and rehiring of existing Host employees in the domestic terminals. HERE would administer the procedure of the assignment of those employees to the new food and beverage operators.

Carl Bunch, of the Airport division of the City Attorney's Office, worked with HERE to develop the specific elements of this program and is available to answer any questions.

Ms. Sherri Chiesa, Secretary-Treasurer, Hotel and Restaurant Employees International Union and Trustee of Local 340 in San Mateo County said that Local 340 represents some 650 Host employees in food and beverage concessions at SFO. She strongly urged the Commission's adoption of the resolution before them.

The turnover rate in the food and beverage industry is 88% per year; it's 300% a year in the fast food industry. HMSHost workers have only a 14% turnover rate per year. They strongly believe that in these days of heightened security and the accompanying concerns that a stable workforce is critical to the functioning and security of the Airport. This workforce is dedicated, loyal and takes great pride in its service to the traveling public whose first impression of San Francisco and the Bay Area is the Airport.

This resolution before the Commission works towards guaranteeing employment for these workers and provides a labor/peace environment that the Airport needs.

Ms. Chiesa thanked staff, Carl Bunch in particular, and the Director for taking the time over the last week or two to work on the details of the resolution with them. It is in the best interest of the City and County of San Francisco and the Airport, but more than that it is in the best interest of the workers who have served at the Airport for so many years.

The devil is in the details and they would ask staff to continue to work with them on a day to day basis to insure that the jobs of these workers are protected. Finally, she asked that the Commission consider HMSHost, who has been a good employer and has created a stable work force. They should be given every consideration when the time comes for a decision.

Mr. Vital Pasi, HMS Host employee, said that he has worked for Host for the last 17 years and has been with Local 340 for 27 years. His concern is job security for himself and his co-workers. He asked the Commission to consider Host for the lease. Host has been very good and loyal to its employees.

Mr. Yousoof Banglee, HMSHost employee, said that he has worked for Host for 24 years. He opened the Terrace Room Restaurant, the North Beach Deli and many others.

He asked the Commission to award most of the concession leases to Host. They know how to run a business. Most employees have worked for Host for more than 10 years. Some employees have worked for Host for 30-35 years.

He has been a certified trainer since 1981 and has trained more than 25 servers, most of whom are still with Host.

Host provides the best service and the best hospitality.

Ms. Molly Gomez said that she has worked for Host at SFO for nearly 24 years. She asked for the Commission's support in helping her and 650 of her co-workers to keep their jobs.

They are valuable to the Airport. They have experience in serving the traveling public and they have knowledge of Airport services in and around the Airport. They have been through the stringent and costly security process, and they understand the importance of maintaining the high level of security at SFO. Help us to help you to make this a smooth transition by approving this labor peace resolution.

Ms. Jeanne Hessling said that she has been a Host employee for the last 20 years. She asked the Commission to carefully consider retaining Host, a proven entity able to endure downturns in the business cycle. Good faith capital requirements and optimistic intentions of individual vendors may not be enough to guarantee survival in this economic environment.

650 union jobs are part of the final equation.

Shelley Kessler, Executive Secretary-Treasurer of the San Mateo County Central Labor Council, thanked the Commission, Airport staff, particularly Carl Bunch and Director Martin for their efforts. In the 18 years since she has been with the Council wonderful work has been accomplished with the Airport ... we have saved jobs, raised standards and made sure that workers receive health care.

She asked the Host employees to stand and said that these employees collectively have centuries of employment. They want to work with you. They want to be partners. She asked the Commission to approve this resolution.

Commissioner Ito said that she was very appreciative of the high retention rate and low turnover that conditions at the Airport have encouraged and she is in full support of the Worker Retention Policy before the Commission.

She asked how seniority would be applied ... by category ... fine dining, etc., where an employees last experience was.

Ms. Chiesa responded that this is a difficult question and why it is so important they work with the Airport and the successful bidders. They will have lists of the workers by job classification. This is complex because the changeover between Host and



the new bidders will not occur at one time. There will be a phase in and we don't know the details. We will meet with Airport staff to figure that out.

Commissioner Mazzola commented that he understood that there will be some workshops.

Ms. Chiesa responded that there will be. We are committed to fitting workers to jobs. Job training will be provided as necessary. This will only work in partnership between the Airport, the union and the successful bidders.

Commissioner Ito was concerned about those employees who may not receive jobs in the new concessions.

Mr. Martin responded that the new program will bring a significant increase in the number of food and beverage workers at the Airport. There should be no reason why anyone would lose a job.

Commissioner Ito noted that this policy is being introduced after the proposals have been submitted, and asked if we expect issues with proposers who may not be able to manage this.

Mr. Martin responded that overall we have received a positive reaction from proposers. A couple may drop out of the process as a result of this. A workshop will be held next week to go over the program in more detail and to alleviate any concerns. Hopefully, we will reach the point where 100% of the proposers will continue with the program.

Commissioner Crayton wanted to be certain that we do whatever we can to accommodate the needs of the proposers since they were not aware of this prior to submitting their proposals.

She was very pleased to hear that the majority, if not all of the employees will be able to retain their jobs.

Commissioner Strunsky said that we will need to examine the street pricing commitment to include this labor cost.

Mr. Martin responded that he will take a look at it, however he did not believe that it will make a difference because it is very likely that all of the food and beverage operators would end up being union shops so the pricing was calculated in.

Commissioner Mazzola thanked Ms. Chiesa and Ms. Kessler for coming to the Airport and addressing this issue before it reached a crisis level.

Ms. Kessler, addressing the issue of displaced workers, said that the Airport is working in collaboration with the labor community in San Mateo County and others to have a displaced workers project to assess, retrain and place displaced workers.

E. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

1. Aviation Market Stimulus Program

No. 03-0139

Resolution authorizing the Airport to implement an Aviation Market Stimulus Program which provides a 50% discount on landing fees for flights to new destinations for one year.

Mr. Martin explained that this Aviation Market Stimulus Program is intended to create more fair competition and more service competition. It is of particular concern to us given that only 10% of our passenger traffic is handled by low cost carriers, when nationwide low cost carriers handle 25% of passenger traffic.

Under this program, carriers that begin service to a city that they presently do not serve will be eligible for a 50% discount on landing fees. They must begin service between September 1, 2003 and April 30, 2004 and must commit to at least 12 months of service in operating that flight.

Overall, we expect that this will be a net revenue producer for the Airport. As an example, ATA, which recently announced new service to Newark, will save \$288,000 a year in landing fees to the Airport, however, because of concession spending by those passengers, we will realize an increase in concession revenue for those ATA passengers of close to \$1 million, of which the City will receive 15%.

We have received a positive response from ATA and America West, which publicly announced that they were adding two daily flights to JFK and to Boston after we made this announcement. Another carrier made a similar announcement regarding new service to San Francisco.

Overall, this will benefit all carriers at SFO by reducing airline fees in the next year because of the incremental increase in revenues resulting from this program.

As a part of this program and as a result of input we received from existing carriers at the Airport, we included a competitive response element.



Under this competitive response element, existing carriers currently serving a market into which a new carrier enters and begins service would be eligible for a 50% discount on any new flights that they bring into that location. An example of this would be United and Continental which currently serve Newark. This element is still under review by the FAA and, as stated in the resolution, that element of the program will only be implemented if approved by the FAA. The FAA has given its approval to the key element of the program which refers to entirely new service by a carrier not serving an existing market.

Commissioner Strunsky assumed that the reduction in landing fees was for a 12- month period.

Mr. Martin responded that it is. We anticipate that the increase in revenues resulting from this program will enable us to lower our airline costs on a per passenger basis in the next fiscal year from \$18 down to \$15. Our goal is to get the per passenger cost down to the \$10 to \$12 range in the next three to four years, putting us more on a par with the industry average, and close to where San Jose and Oakland will be once they complete their capital programs.

Commissioner Crayton asked if there are other major airlines we are looking at that have left and may consider coming back.

Mr. Martin responded that we hope so, however, it will depend on the world economy. We continue to maintain contact with Alitalia and SwissAir, both of which dropped service after 9/11. We hope that other carriers that dropped markets, such as United Airlines which dropped Ontario, might look at this program as enough of an incentive to consider serving Ontario again.

Commissioner Crayton asked about JetBlue.

Mr. Martin responded that opportunity is there for JetBlue and we will continue to maintain contact with them.

He will be sending letters out to key airline CEOs, making sure they know of the benefits of this program.

Item No. 2 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

2. Authorization to Enter into Contract Negotiations for Marketing Services

No. 03-0140

Resolution authorizing the Airport Director to enter into contract negotiations with M-Line, a locally-owned WBE, for marketing services to retain and develop airline service and support internal revenue-generating SFO divisions.

Ms. Kandace Bender, Deputy Director, Communications and Marketing, said that in April 2003 the Commission authorized staff to issue an RFP for a marketing services contract. An independent five-person panel was established to review and evaluate the written proposals of 13 respondents. The top three candidates were selected and invited to appear for an oral interview with the same five-person panel. When the scores were tallied, they were statistically insignificant. The three teams were then given a real case scenario and were asked to draft a marketing plan. From that the panel evaluated the responses and a locally-owned WBE firm, The M-Line, came out as the strongest candidate.

Commissioner Johns asked how long they have been in business.

Ms. Bender responded 10 years.

Commissioner Ito asked what type of experience they bring in marketing to a diverse community.

Ms. Bender responded that the firm has a wide variety of clients, including the Port of San Francisco and the Recreation and Park Department. Their experience includes marketing, advertising, media relations, and public relations.

Commissioner Crayton asked what separated them from the other firms.

Ms. Bender responded that they were able to think outside of the box. We explained to them, very clearly, that we had a wide variety of concessions that we wanted to help promote. We wanted to be able to determine if they could think creatively and in unusual ways and at the same time be very efficient and effective with money. We wanted a firm that could

incorporate the internet, other forms of media, free media, community outreach, and community work.

Commissioner Strunsky said that these last two items have been specifically geared to increasing traffic. As that happens we will be faced with delays and with an improperly running airport where people are waiting for their flights because the Board of Supervisors is holding us back with respect to the preliminary work for runway expansion. This is not a coordinated response. Either we are going to be an Airport with properly designed runways to handle the traffic, or we should limit the traffic rather than promote it.

He will vote for this resolution but he wanted to call his fellow Commissioners and the public's attention to the fact that this Commission is being held back on what it should properly do, i.e., the preliminary runway work so that when the time comes runway expansion is appropriate.

Item No. 3 was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

3. Award of Contract No. 4085 - Boarding Area 'F' Apron Reconstruction  
Granite Rock Construction, dba Pavex Construction Co., Inc. -  
\$4,809,975.00

No. 03-0141

Resolution awarding Contract No. 4085, Boarding Area 'F' Apron Reconstruction, to the lowest responsive, responsible bidder, Granite Rock Construction, dba Pavex Construction Co., Inc., in the amount of \$4,809,975.00.

Mr. Ernie Eavis, Deputy Director, Facilities Operation and Maintenance, explained that on March 25, 2003 the Commission approved a bid call for this contract. This work includes overlay and reconstruction of the Boarding Area F apron, some taxiway lighting, and work that goes along with the reconstruction of the apron.

Granite Rock was the apparent low bidder and has met the DBE requirements for this contract.

Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

4. Modification No. 5 to Contract No. 3606.2C - Environmental Consulting Services  
AGS, Inc./The Ellington Group, Inc. - \$850,000

No. 03-0142

Resolution approving Modification No. 5 to Contract No. 3606.2C, with AGS, Inc./The Ellington Group, Inc. for environmental consulting services, in the amount of \$850,000.00.

Mr. Eavis explained that this is the last major environmental contract for the Airport. Currently funded for \$1.1 million, we are asking that the funding be increased by \$850,000 due to the upcoming projects the Airport is facing ... cost recovery for tenant-caused environmental impacts. Federal Court has extended by one year the period of time we can negotiate with our tenants for payback for environmental pollution they have caused. We are assuming approximately \$300,000 in legal and expert witness fees. We are also in the process of asbestos abatement at the SuperBay Hangar, and we are assuming approximately \$550,000 in consultant services to determine the best option for remediation.

Commissioner Strunsky asked if we knew for sure that it is asbestos.

Mr. Eavis responded that asbestos is in the fire proofing that surrounds the beams for the structure, and material in portions of the SuperBay contain asbestos. Material falling in the building is being blown out of the building so it is hard to substantiate that it is asbestos.

Item No. 5 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

5. Award Professional Services Agreement for Terminal 1 Modifications for the AirTrain Pedestrian Bridge and Mezzanine - Fong & Chan Architects - \$65,000

No. 03-0143

Resolution awarding Professional Services Agreement, for Terminal 1 Modifications for

the AirTrain Pedestrian Bridge and Mezzanine, to Fong & Chan Architects in the initial amount of \$65,000 to perform a construction feasibility study for the pedestrian bridge and a mezzanine with elevators, escalators, and stairs in Terminal 1 to improve passenger travel between the Terminal and AirTrain station.

Mr. Ivar Satero, Bureau of Design and Construction mentioned the recent passing of Jorge Cuevas of Cuevas and Mannion, one of our Master Plan contractors. They did the Police Substation and are currently doing the bump out at Terminal 3. He wanted to acknowledge his contribution to the Airport and his recent passing at age 53.

This is a Professional Services Contract providing for a pedestrian bridge at Terminal 1. We deferred construction of that bridge because we anticipated undergoing the Terminal 1 Modernization Program, Boarding Area B. Due to economic conditions it was first deferred and has now been suspended. Unfortunately, we have a bridge at Terminal 2 that was awaiting the first remodel of Terminal 2, that would have been done prior to Terminal 1. The absence of a bridge at Terminal 1 has made it extremely difficult for our patrons in that terminal.

We would like this feasibility study to primarily develop the cost and schedule to build the bridge and mezzanine, to determine the most cost effective solution considering in the future we would like to pursue the Terminal 1 Modernization Program once demand indicates its necessity, and to develop a solution which would minimize the re-work of the newly installed facility ... mezzanine and bridge ... when we do undertake the Terminal 1 program.

Fong and Chan is uniquely qualified for this feasibility study because of their familiarity with Terminal 1 ... they were the associated master architects for Terminal 1. Furthermore, Fong and Chan was selected under the Master Plan consultant procurement process to do the Terminal 1 Boarding Area B renovation work, which was suspended, as well as some planning work assisting the Airport in 1998 when we started our domestic terminals master plan effort.

This contract has been reviewed and approved by the Airport's contract review committee. Funding will be provided from fund transfers from other Master Plan projects.

We estimate that the total project cost will be in the range of \$8 to \$10 million and will take anywhere from 18 to 22 months to design and construct.

Following completion of the feasibility study we will return to the Commission and present the findings, a recommended alternative to solving the problem, along with an engineer's estimate and a more refined schedule for the work.

While we have not yet developed MBE/WBE participation because of the unique experience Fong and Chan brings to this project, those goals will be proposed when the design contract is presented to the Commission. We would assume that they will assemble a team similar to the one in the Master Plan process.

Commissioner Johns was concerned about the timing and asked how long the feasibility study will take.

Mr. Satero responded that it will take about eight weeks. We would ask them to prepare a certain level of schematic design documents at the same time which would allow us to jump into design development once we all agreed that we had the best solution for the problem.

Commissioner Johns said that 18 to 22 months was a long time.

Mr. Satero said that we are looking at opportunities for accelerating the process. One of the opportunities would be to early assemble a structural steel package and issue a procurement contract to get the structural steel going as quickly as possible.

We encountered a lot of challenges when we went into the Terminal 3 bridge and the interface, so the worst case is being presented.

Commissioner Strunsky asked if staff considered not building the bridge but upgrading access through the garage. The savings would be significant and could be accomplished much faster. He would like the pros and cons for building the bridge presented with the feasibility study.



Mr. Satero said he will have it appropriately addressed. He said that it is a deteriorating condition even as we speak, with the added issue of flights and new airlines being added.

Leigh Fisher was commissioner to do a study of the path of travel, specifically elevator capacity where we see long queuing and the difficulty of access. He will also present the findings of that letter. Some improvements were made to help that area. The garage lobby at Boarding Area B is extremely difficult.

Commissioner Crayton echoed the concerns expressed by Commissioners Strunsky and Johns.

Item No. 6 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

6. DFS - Approval of Amendment No. 3 to Lease No. 99-0035

No. 03-0144

Resolution approving Amendment No. 3 to the DFS Group L.P. Post-Security Master Retail/Duty Free Concession in the International Terminal Building, Lease No. 99-0035, and direct the Commission Secretary to seek approval of the Board of Supervisors. Amendment No. 3 suspends the Minimum Annual Guarantee for January to December, 2003 and establishes a 25% percentage rent if monthly sales are less than \$3 million and a 31% percentage rent if monthly sales are \$3 million and more. Additionally, DFS shall pay a monthly lump sum payment of \$312,500 for any 2003 calendar month in which duty free revenues exceed the prior years' by 10%.

Mr. Leo Fermin, Deputy Director, Business and Finance, explained that the Commission previously approved the suspension of the Minimum Annual Guarantee (MAG) for the DFS lease for the period September 11, 2001 through December 31, 2002.

Up until March 31, 2002, the percentage rent was 15%, 20% or 25%, depending on the sales level. On April 1<sup>st</sup> it was adjusted to 30%, and a few months later to 31%.

Although the DFS MAG was reinstated January 1, 2002, they have been unable to pay it, and instead have been paying percentage rent. The duty free MAG for the calendar year January 1 through December 31, 2003 is \$23.5 million. For the first six months, this level of MAG has equaled 68% of their sales.

DFS business at SFO is unlike any other tenant. It is both a direct operator and a master tenant. Its lease covers 29 different facilities, yet 90% of the MAG is allocated to the duty free operations. The duty paid facilities are all subleased to DBE tenants. The duty free operations are completely tied to international passenger traffic, which has been severely and disproportionately effected by SARS and the Iraq war.

DFS sought and was given economic relief at Honolulu and Los Angeles International Airports. The presence of a well run duty free operation is a valued service to international passengers and is generally considered an important feature at major international airports.

In order to avoid the potential of empty duty free retail space during the rebid process, as well as the loss of business to DBE sublessees if DFS were to shut down due to their inability to pay their MAG, we have negotiated a 12 month interim program to continue the MAG suspension, but also require additional payments beyond the percentage rent if sales in each month increase by at least 10% over the previous year.

The DBE subleases offer many of the most basic necessities of the traveling public, such as newspapers, magazines, aspirins and bandaids.

For calendar year 2003, staff forecast that this proposed plan would result in rents to the Airport in the range of approximately \$11.4 to \$14.6 million. By comparison, in Honolulu the \$60 million MAG was recently dropped to \$40 million and could go as low as \$34 million if sales there do not improve. In Los Angeles the DFS lease was also significantly restructured, eliminating the MAG of \$37 million for the years 2003 until the end of the current lease in May 2005. The percentage rent there was set at 23% in 2003, 27% in 2004, and a tiered rate commencing at 28% in 2005.



Commissioner Ito asked about their requirement to re-open their downtown store..

Mr. Fermin responded that the requirement to re-open the Union Square store would be triggered if Japanese traffic reached 35%. We were receiving a percentage of sales from that store as well.

Commissioner Ito asked what this change translates to in terms of our reduced revenue.

Mr. Fermin responded that it would give us a reduction of anywhere from \$6-to \$12 million, depending on the level of their sales for the rest of the year. We did forecast in our budget a reduction in Duty Free revenues for FY 2003/04.

Item No. 7 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

7. Amendment No. 1 to Lease Nos. 97-0052 through 97-0059 - Agreements for Rental Car Operations at San Francisco International Airport

No. 03-0145  
thru  
No. 03-0152

Resolutions approving Amendment No. 1 to Lease Nos. 97-0052 through No. 97-0059 for rental car operations 1) requiring compliance with MCO/HCAO, 2) lowering the current Minimum Annual Guarantee (MAG) 10%, 3) maintaining current facility rental rates, and 4) adjusting the MAG abatement clause.

Mr. Fermin explained that in May, 2003 the Commission approved the five year extension of the rental car leases, however, because these leases were first bid and awarded prior to the City establishing requirements regarding the minimum compensation and health care accountability ordinances, these leases do not contain these requirements.

The City desires to have the rental car companies comply with these ordinances but doing so will impose an added financial cost to these firms, as these requirements were not originally factored into their bids. Further, the rental car industry is still feeling the effects of the industry downturn. In fact, pursuant to the lease terms, we have abated their monthly MAG for nine different months because passenger traffic was more than 25% below the 1996 base year.

The proposed 10% reduction in the MAG and keeping the lease rental rates unchanged for the rental car garage will approximately offset the cost of compliance with the City requirements. Also, as part of the amendment, the MAG rebate trigger of passenger levels dropping 25% below the base year will be changed to a 30% decline, increasing the hurdle before the MAG is abated.

Commissioner Crayton agreed that this was important.

Mr. Tom Martin, Business Representative of Teamsters Local 665, spoke in support of the staff recommendation to fully implement the MCO and HCAO. It is extremely important for the City to continue to monitor and fully enforce this legislation in an effort to continue to help and support the working poor of San Francisco.

\* \* \*

F. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 8 through 16, was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

8. Modification No. 2 to Contract No. 5606BR - Police Substation - Cuevas and Mannion Construction, Inc. - \$137,443

No. 03-0153                      Resolution approving Modification No. 2, the Closeout Modification, to Contract No. 5606BR, Police Substation with Cuevas and Mannion Construction, Inc., in the amount of \$137,443 for a new contract value of \$3,918,843.

Funding will be provided from budget transfers from existing project budgets with no impact to the Master Plan Budget.

9. Bid Call - Contract No. 8295 - U.S. Food and Drug Administration Tenant Improvement

No. 03-0154                      Resolution approving the scope, budget, and schedule for Contract No. 8295, U.S. Food and Drug Administration Tenant Improvement, and authorizing the Director to call for bids when ready.

10. Approval of a Lease with the U.S. Government

No. 03-0155                      Resolution 1) approving lease GS O9B-O1447 with the U.S. Government for space to be occupied by the U.S. Food and Drug Administration at West Field Cargo Building 1, and 2) directing the Commission Secretary to

forward the lease to the Board of Supervisors for approval.

11. Airport Improvement Program:

AIP Project No. 3-06-0221-16 (Grant No. 16)

AIP Project No. 3-06-0221-17 (Grant No. 17)

AIP Project No. 3-06-0221-19 (Grant No. 19)

No. 03-0156

Resolution authorizing the Airport Director to accept and execute an amendment to Airport Improvement Program (AIP) Grant Agreement Nos. 16, 17, and 19.

12. Application for Federal Cooperative Agreements (Grants) - \$12,102,325

No. 03-0157

Resolution authorizing the Airport Director to apply accept, execute and expend any resulting grant offers from the Federal government for the Cooperative Agreements (Grants).

13. Acceptance and Expenditure of Transportation Security Administration Funding for the K-9 Explosives Detection Team Program

No. 03-0158

Resolution authorizing the acceptance and expenditure of Transportation Security Administration Security Administration (TSA) funding of the K-9 Explosives Detection Team Program

14. Agreement with the County of San Mateo for Services Provided by the Airport/Community Roundtable (\$100,000)

No. 03-0159

Resolution authorizing an Agreement with the County of San Mateo for services provided by the Airport/Community Roundtable during the period of July 1, 2003 - June 30, 2004 in an amount not to exceed \$100,000.

15. Concurrence with San Francisco Arts Commission Proposal for Artwork

No. 03-0160

Concurrence for Arts Commission proposal to purchase/commission artworks for Boarding Area C. Proposed artwork is a part of the Airport's Art Enrichment Program. Purchase price is \$223,300.

Ms. Susan Pontious, Arts Commission, briefly explained the pieces proposed for Boarding Area C.

16. Contract with the Steinhart Aquarium, California Academy of Sciences

No. 03-0161

Resolution approving contract for \$35,000 for the yearly maintenance of the aquarium tanks, equipment, care, feeding, and replacement of fish.

\* \* \*

G. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Mr. Hardeep Singh, taxi driver, was called to address the Commission but was not present.

Mr. Andrew Green, taxi driver, said that when the CNG program began they were offered two free shorts per day, however, as the program continued and the number of CNG cabs has increased this benefit has had a strong negative effect on the rest of the cab drivers. He said that It is time to reconsider this benefit to the CNG cabs and requested that the benefit be reduced or taken away completely.

Commissioner Strunsky asked if the decision to provide this benefit to CNG cabs was given by the Taxi Commission or the Airport Commission.

Mr. Martin responded that the decision was made by the Airport Commission. The Board of Supervisors established a policy encouraging the use of clean air vehicles by the taxi cab industry, and, through that legislation encouraged the Airport to also provide incentives for cab companies to purchase clean air vehicles. The Airport Commission, as part of its own Clean Air Policy, adopted its own resolution providing for these two shorts for

companies that purchased these clean air vehicles. Due to the purchase and maintenance costs of these vehicles, and the more frequent fueling needs, this provided an incentive for cab companies to purchase CNGs.

Mr. Suknjeet Singh, cab driver, said that if the Commissioner is concerned about environmental pollution it should be concerned about the hundreds of thousands of vehicles coming to the Airport to pick up passengers. This policy just creates a dispute between the cab drivers.

Mr. Tan Khuong Vuong was called to address the Commission but was not present.

Mr. Scott Pham was called to address the Commission but was not present.

Mr. Sein Aye was called to address the Commission but was not present.

Mr. Dan Van Vo, cab driver, spoke about the unfairness of the policy for CNG cabs.

Mr. Andy Jiang, cab driver, said that he has lost income because of the Airport's unfair policy and asked the Commission to change its policy regarding CNG cabs to allow for equal opportunity.

Mr. Long Ngo, cab driver, spoke about the Airport's unfair policy regarding CNG cabs. Most cab drivers are unskilled and have limited English. They need to drive a cab to survive and to support their families. Please stop this policy.

Mr. Pablo Gravador, cab driver, said that he has been a cab driver for 21 years. This policy has made him a second class cab driver. It is unjust. The cab drivers need the Airport Commission's help.

Mr. Thomas George-Williams, United Taxi-cab driver, said that it is time for the Airport to kick this back to the Board of Supervisors or the Taxi Commission to require all cabs to be clean air vehicles by 2006, for example.

They are going to fight this with lawyers.

Mr. Barry Korengold, said that he has been a cab driver for over 20 years. He would like to see more environmentally friendly vehicles. There should be some kind of incentive, but this is too much.

He recommended the amount of shorts be cut in half. He also recommended that hybrid cars be included.

There is not enough scrutiny over the log.

Mr. Barry Taranto, cab driver, said that non-CNG cab drivers sit by and watch as the CNG cabs pass them in the cab lines. These incentives are supposed to go to the cab company or the owner of the vehicle, yet, in some cases, these incentives are actually incentives for the driver.



Based on the incentives provided to CNG cab drivers for front of the line privileges, he calculated that the front of the line privilege comes out to about \$58,000 per year ... four shorts per day x \$40.00 = \$160 per day x 365 days. Two free shorts per day comes out to \$8.00 per day, or almost \$3,000 year.

He asked the Commission to look at alternative incentives because a disparity has been created. He hoped that a hearing could be held at the Commission's September 2 meeting. Perhaps the program can be modified.

We met with staff twice, however, at the second meeting we were outnumbered by CNG drivers and we were unable to get our concerns across as we would have liked.

Many of the large companies are not participating in the program; it's individual drivers. The point is not to have these CNG cabs operating at the Airport all of the time and locking other drivers out, but to also have them operate in the City. CNG vehicles operating in the City will help reduce pollution.

Commissioner Strunsky asked if the CNG cabs are going to the Airport in order to take advantage of this.

Mr. Taranto responded that they are. They begin their shifts at the Airport. If they get a short trip they can go back in the short line and take another short.

We used to have two short fares for every long. Now we have one long, one short. This has made somewhat of a difference, however, the drivers feel that there is still a disparity in income. BART has hurt them worse than anticipated.

Ms. Rua Graffis, Chair, United Taxicab Workers, said that they are in support of all drivers and in support of fairness. She asked the Airport to change its policy in fairness to all drivers. They will be talking to the Taxi Commission and the Board of Supervisors regarding a gate cap (the amount a company can charge the drivers) for long term lease drivers. Many of the long term lease drivers at the Airport do not have a gate cap. The law in effect will give those drivers a gate cap some time in October, and they are working to expedite it. She urged the Airport to work with companies and encourage them to participate in this program.

Ms. Karen Horning, cab driver, presented the Commission with a petition (see attached). While this issue has divided drivers, they are opposed to the regulations, not the CNG drivers. When the Commission proposed the two shorts per shift, they made no incentive to cab companies. That places medallion holders at a greater advantage.

CNG drivers claimed that their vehicles are far more expensive, yet when she went to S&C Ford to investigate purchasing a CNG vehicle she found that they are only \$725 more than a new Grand Marquis. Further, the maintenance is 32% less on these vehicles. Unfortunately, she could not purchase a CNG vehicle because she does not a medallion.

Approximately 90% of the drivers in the City work for companies. There is no motivation for John Lazar, Nate, Jim Gillespie or any one of these companies to purchase a CNG

vehicle. They don't care whether or not the drivers make any money as long as they get their gate. She would like to see more CNG vehicles on the road but she does not believe that it should come out of the pockets of other drivers.

Mr. Tone Lee, cab driver, asked for fairness for all cab drivers.

Mr. Saam Aryan, CNG cab driver, said that a contract is binding if it is written, verbal or implied. A legal, binding contract has been executed between the Airport Commission and CNG drivers. Changes may be made to the contract, however, the CNG drivers must be compensated.

The Airport Commission has been handed a lot of lies. Mr. Barry Taranto mentioned that CNG drivers make over \$58,000 more than non-CNG drivers. Non-CNG drivers wait an average of two hours more than a CNG vehicle. There is only one ride the CNG has over the non-CNG. A full time CNG driver averages only \$346 more than the non-CNG driver.

Ms. Sherry Gendelman, attorney representing cab drivers, said that the Commission's intention is to promote clean air. There were approximately 200 drivers at the Taxi Commission meeting last Tuesday and most of the anecdotal testimony indicated that because of the negative impact these incentives have created, many of the gas guzzling vehicles are returning to the City to cruise around for customers, thereby increasing pollution, not reducing it.

One suggestion that was made is to extend the permit period for CNG cabs to operate from four years to five years. She felt that these people, along with the Taxi Commission, should be able to come up with a creative incentive that would promote the purchase of more CNG taxis without creating a negative situation.

Several people have testified that the incentive should be to purchase more CNG vehicles, not pit the drivers against each other.

She urged the Commission to reconsider its policy.

Mr. Ahmad Albouryna was called to address the Commission but was not present.

Mr. Jean Michel Normand, a cab driver, said that he has been very distressed by the current situation of pitting the CNG driver against the non-CNG driver. If you want good taxi service, dedicated drivers and good vehicles you have to find incentives to purchase clean air vehicles, but don't mess with the working situation of the drivers.

Ms. Mary McGuire, cab driver and Taxi Commissioner, said that she doesn't go to the Airport because it's such a long wait. When she gets a fair to SFO, she doesn't wait in line, she simply returns to the City. She hopes this can be settled before a strike hits the Airport.

She is sorry it ended up this way. It was supposed to be a good thing. She hopes that this can be worked out.

She understood that some CNG drivers are abusing the system. Apparently, drivers are pretending to sign their names in the log so they are actually getting more than there allowed four short trips. She asked that the check-in list be monitored.

Commissioner Mazzola asked if the Taxi Commission was working on recommendations.

Ms. McGuire responded that the ball is in the Airport's court.

Commissioner Mazzola agreed, but wondered if the Taxi Commission has come up with anything.

Ms. Naomi Little, Executive Director, Taxi Commission responded that at the August 26 meeting they will come up with recommendations for the Airport Commission on how to resolve this issue. They took testimony at their last Commission meeting and much of the testimony given today was heard then. They will be working with Alice Sgourakis on this very difficult issue.

\* \* \*

I. CLOSED SESSION:

The Airport Commission did not go into closed session.

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

\* \* \*

H. CORRESPONDENCE:

There was no discussion by the Commission.

\* \* \*

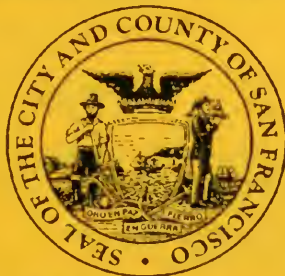
L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:41 A.M.

Jean Caramatti  
Commission Secretary



# **SAN FRANCISCO AIRPORT COMMISSION**



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## **MINUTES**

September 16, 2003

9:00 A.M.

Room 400 - City Hall  
#1 Dr. Carlton B. Goodlett Place  
(400 Van Ness Avenue)  
City and County of San Francisco

**WILLIE L. BROWN, JR., MAYOR**

### **COMMISSIONERS**

**LARRY MAZZOLA**

President

**MICHAEL S. STRUNSKY**

Vice President

**LINDA S. CRAYTON**

**CARYL ITO**

**ELEANOR JOHNS**

**JOHN L. MARTIN**

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT  
SAN FRANCISCO, CALIFORNIA 94128**



Minutes of the Airport Commission Meeting of  
September 16, 2003

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	2.	Pacific Gateway Concessions, LLC - Approve Amendment No. 2 to Boarding Areas B and C Principal Retail Concession Lease	03-0164	7-8
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	5.	Modification No. 6 to Professional Services Contract with smith Dawson and Andrews For Federal Legislative Advocacy Services	03-0167	10-12
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# AIRPORT COMMISSION MEETING MINUTES

September 16, 2003

## A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM and went into closed session. The public portion of the meeting commenced at 9:35 A.M. in Room 400, City Hall, San Francisco, CA.

\* \* \*

## B. ROLL CALL:

Present:	Hon. Larry Mazzola, President
	Hon. Michael S. Strunsky, Vice President
	Hon. Linda S. Crayton
	Hon. Caryl Ito
	Hon. Eleanor Johns

\* \* \*

## C. CLOSED SESSION:

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:05 A.M. and the closed session began.

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding CCSF v Spencer et al U.S. District Court Case No. C02-5086PJH; and CCSF v Scott Co., et al, Santa Clara Superior Court Case No. 787-323; CCSF v Tutor-Saliba Corp, et al, U.S. District Court Case No. C02-5286 ED; and, CCSF v Pacific Bell Telephone Company, SBC Communications, Inc., San Francisco Superior Court Case No. 415-996; and, Government Code Section 54956.9(b) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 9:35A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

\* \* \*

## D. ADOPTION OF MINUTES:





The minutes of the regular meeting of August 19, 2003 were adopted unanimously.

No. 03-0163

\* \* \*

E. DIRECTOR'S REPORTS:

1. EEO Report for Fiscal Year 2002-2003

Report on the Airport Commission's labor force analysis for FY 2002-2003 and EEO activities plan for FY 2003-2004.

Ms. Theresa Lee, Deputy Director, Administration explained that the report before the Commission highlights activities conducted by the Equal Employment Office and Diversity Programs for FY 2002-03, as well as activities planned for this year.

The purpose of having an EEO plan is to insure equal employment opportunity throughout the Airport Commission, regardless of any non-merit factors. This plan was developed in accordance with the San Francisco Administrative Code and puts into place the intentions of the Airport Commission to promote practices that ensure all segments of the local community are aware of employment opportunities, review promotional practices to ensure that everyone has an equal opportunity to compete for advancement, to ensure that all employees are held accountable to treat others with dignity and respect, and to promote a work environment free of harassment and discrimination.

Overall, the labor force representation is in line with market labor availability. Highlights of the EEO activities for FY 2002-03 include processing and investigating discrimination complaints, addressing ADA requests, and conducting the Annual Climate Survey. The Survey found employees rated the work climate satisfaction slightly higher than the previous year. The survey was conducted in early Spring, prior to the layoff notices, however, many employees were aware of our budgetary constraints.

The overall positive ratings increased by 4% over the first year of the survey. This is the third climate survey conducted.

Although improvements can be made in certain units to affect better morale and improve communications, in general, the ratings have improved department wide.

Other activities that the EEO Office, in collaboration with the Airport HR Office and Employment Community Partnerships, included job displacement services to over 100 employees affected by the Airport's job reduction and reassignments. The office also coordinated the Airport's employee recognition awards and provided over 100 in-house training sessions to over 1,200 employees.

Some of the highlights of the EEO Office activities for the present fiscal year to ensure a workplace free of discrimination and harassment include continuing to



proactively monitor the workplace climate to prevent discriminatory and harassment actions and to facilitate a department wide work climate committee. To conduct the annual work climate survey, to continue to refine and conduct supervisory and violence prevention training courses to supervisory and line staff.

In light of the reduced work force in FY 2003/04 and workload changes, managers and supervisors are expected to be vigilant in stabilizing their work environment to maintain a positive and satisfying work experience.

The second annual Employee Appreciation Day will be held tomorrow in Terminal 2 between 11:00 A.M. and 1:30 P.M. Commissioners are invited to attend.

Commissioner Crayton thanked Ms. Lee for her report. Excellent programs and processes have been put into place.

Commissioner Crayton noted that African-Americans continue to be at the bottom of janitorial positions.

Ms. Lee responded that the labor force ethnicity is stable. With regard to the African-American category, it is stable and is very close to the labor force availability. The last page of the report reflects 8.2% representation against a labor force parity of 9.1%. It is an area that continues to need proactive encouragement of applicants.

Commissioner Crayton noted that as a result of 9/11, employees were let go because of credit ratings and asked if that is still an issue.

Ms. Lee responded that we are in the process of re-assessing that type of requirement. The situation to which Commissioner Crayton referred was the general background check, which is separate from the FAA requirement for fingerprinting. The credit reference is an internal Airport requirement. Discussions are currently underway with the affected managers regarding the importance of the requirement in light of the additional security and background checks.

Commissioner Ito said that this Commission has been unanimously supportive of living wage and card check and the policies that unions support. We have placed a high priority on fairness. She asked that we continue to work with the unions. It never hurts to continue those talks. Without that cooperation, FOM's statistics in the skilled craft area will never improve.

She did not see any information in the report as to displaced security screeners at the Airport.

Ms. Lee responded that staff will do a follow-up report. A certain percentage did receive jobs with Covenant.

Commissioner Ito heard that only about 20% of the screeners were retained. She felt that was a huge disservice. She understood that the process was out of our control, but there was a lot of injustice.



She asked if the 12 discrimination complaints included harassment complaints, and if that number was an increase or decrease from last year.

Ms. Lee responded that it was her understanding that there has not been a significant increase. The complaints range from racial, to gender and age. She assumed that it would just be the general milieu, with layoffs and the resulting stress. A follow-up report will be provided.

Ms. Martin said that he does not believe there has been an increase in complaints.

Ms. Gloria Louie, EEO Director, responded that the 12 complaints listed do not reflect any complaints for the layoff period. No complaints were filed during that period.

\* \* \*

F. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

\* \* \*

G. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 2 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

2. Pacific Gateway Concessions, LLC - Approval of Amendment No. 2 to the Boarding Areas "B" and "C" Principal Retail Concession Lease

No. 03-0164

Resolution approving Amendment No. 2 to Pacific Gateway Concessions, LLC's Boarding Areas "B" and "C" Principal Retail Concession Lease which exercises the five-one year option, adjusts space, reinstates and increases the Minimum Annual Guarantee from \$2.1 million to \$2.4 million, and directing the Commission Secretary to seek approval of the Board of Supervisors.

Mr. Leo Fermin, Deputy Director, Business and Finance, explained that Pacific Gateway Concessions operates retail shops in Boarding Area B and C, which have been adversely affected by the TSA screening checkpoints. They have asked that adjustments be made to their space. Staff believes that it has put together a lease amendment that is a win for both the Airport and tenant.

The amendment addresses the tenants problems of the TSA checkpoints impeding their storefronts, it gives us more retail space post security where we feel more retail space is needed, it increases the MAG by about \$255,000 per



year, and the adjustment allows us to increase the size of the food courts that are being planned for the Domestic Terminals Food and Beverage Redevelopment Program.

The proposed amendment collapses their space from a total of seven (7) facilities consisting of 6,324 square feet, down to six (6) facilities consisting of 4,637 square feet.

Commissioner Ito noted that the concept for the Boarding Area C space has not been determined and asked if that will return to the Commission.

Mr. Fermin said that it can be brought back to the Commission for approval if the Commission so desires, however, staff was planning on informing the Commission through a memo. Currently PGC's general concept is a San Francisco products shop, which includes San Francisco apparel, gifts and packaged foods. Once the concept has been defined for this space it can be brought back to the Commission.

Commissioner Ito asked for the potential cost for asbestos removal and asked if it is likely that such costs will have to be absorbed by the Airport.

Mr. Jackson Wong, Chief Operating Officer, responded that there is a high likelihood that asbestos is present, however, we won't know until we tear down the walls. The cost cannot be passed on to the tenant because it is part of our structural frame.

Item No. 3 was moved by Commissioner Mazzola and seconded by Commissioner Strunsky. The vote to approve was unanimous.

3. Modification No. 2, the Closeout Modification to Contract 5620A, Phase 2, Emergency Operations Center with Lawrence Construction Co./West Bay Builders, Inc., A Joint Venture \$368,810.95

No. 03-0165

Resolution approving an increase to the Contract No. 5620A, Phase 2, Emergency Operations Center, with Lawrence Construction Co./West Bay Builders, Inc., A Joint Venture, in the amount of \$368,810.95 for a new contract value of \$6,400,622.75 for additional work required for the Emergency Operations Center construction.

Funding for this modification is available from underrun transfers on other Master Plan projects.

Mr. Ivar Satero, Deputy Director, Airport Development explained that this is the second modification to this contract, as well as the closeout modification. The modification includes changes to facilitate construction and mitigate impacts due to the delay in start of the second phase of the work.





The contractor has provided his document 530, the final agreement release of any and all claims. Funding will be provided from fund underruns on other Master Plan contracts. The costs have been included in the forecast with no impact to the Master Plan budget.

At the award of contract, HRC established M/WBE goals of 15.7% and 8% respectively. The contractor, through this modification, will attain participation of 14.3% and 6% M/WBE goals. The HRC is looking into this matter to determine if a fine is warranted. Staff is meeting with HRC regularly and providing them with documentation. Additionally, we are withholding their retention until the HRC gives us direction on how this is to be handled. HRC has reviewed and agreed that the modification should be continued, but to hold retention pending the outcome of their findings.

Commissioner Crayton did not understand why this contractor could not meet its goals, particularly in light of the economy.

Mr. Satero responded that he had the same question. The contractor listed an electrical supplier in their base bid, but they either never finalized the deal, or followed through with their commitment.

Commissioner Strunsky asked when the Commission will see the finalization of the Master Plan. Do we have a target for closeout?

Mr. Satero said that the smaller projects under the original scope of the Master Plan, such as the landscaping contract, are extending the Master Plan. That project had been suspended, but in order to meet certain commitments made to Caltrans and surrounding communities a certain amount of that work was released. At this point, 99.5% of the work is done. The AirTrain closeout is another project within the Master Plan where final acceptance is pending.

We have also issued a Master Plan On-Call contract to deal with final clean up of scope gap issues. By the end of this year we will have closed out all of AirTrain. Landscaping, the on-call contract, and the environmental recovery effort will roll into next year.

Commissioner Strunsky asked if any of that work could be moved into Capital Improvements. If we close out we can define for those interested parties just how successful the program has been.

Mr. Satero responded that he will meet with Leo Fermin to discuss the issue. As this is a Master Plan issue he wants to avoid raising the eyebrows of the bond holders.

Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

4. Modification No. 1 to the Professional Services Agreement with LSA Associates, Inc. for Environmental Consulting Services



Resolution approving Modification No. 3 to Professional Services Agreement with LSA Associates, Inc. in the amount of \$582,000 and extending the contract eight years (2004-2011) to continue to provide environmental consulting services to comply with resource agency permit conditions for Airport Master Plan projects.

Mr. Satero explained that this modification provides for continuing environmental consulting services to comply with the resources agency permit conditions related to the Master Plan Projects mitigation undertaken during the project.

The Airport has negotiated favorable fees with LSA for a six year period. LSA has successfully performed these services since December 2000 and has the necessary skills and understanding of SFO's wetlands and endangered species to cost effectively provide these services in the future.

Planning staff will perform an annual review of this contract to assure the Airport that we are maintaining the high level of services required of this contractor.

The budget will be allocated annually to this contract through the Airport's annual budgeting process.

LSA Associates is maintaining their M/WBE goals set at contract award of 10% and will continue to do so under this modification.

\* \* \*

#### H. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 5 through 15, was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

##### 5. Modification No. 6 to Professional Services Contract with Smith Dawson and Andrews for Federal Legislative Advocacy Services

No. 03-0167

Resolution approving Modification No. 6 to the Professional Services Contract with Smith Dawson and Andrews for Legislative Advocacy Services in Washington, DC through FY 2003-2004, in an amount not to exceed \$100,000.00.

Commissioner Johns noted that this contract was entered into six years ago and this modification brings it into its seventh year. Since we have had a change in administrations in Washington, D.C. she wondered why this wasn't put out to bid.

Mr. John Martin, Airport Director, responded that the contract can be put out to bid if the Commission so desires, however, we have been very pleased with the level of service we have received from Smith Dawson. They have been very helpful with TSA funding issues and AIP grant funding issues.



Commissioner Johns said that in a conversation with our people she found out that they have not always been very good at coordinating with the City's lobbyist. She felt it would be a good idea to put this out for an RFP.

Mr. Martin responded that he would be happy to do that. He may have to return for funding for the first month or two.

Commissioner Strunsky expressed his concern about changing a firm that has been effective, however, according to Commissioner Johns, they may not have been as successful as they might be.

Mr. Peter Nardoza acknowledged that Smith Dawson has a closer relationship with the Democrats, however, it has been our experience that they are still extremely effective when it comes to SFO. Mr. Martin has incredible access on The Hill. Senators Feinstein, Boxer and Congresswoman Pelosi have been very helpful, primarily due to their familiarity with this particular firm.

For a West Coast facility, we have had substantial success in Congress.

Commissioner Mazzola asked Mr. Nardoza what he knows about the communication problem between Smith Dawson and the City lobbyist.

Mr. Nardoza responded that he does not know what those problems are. There have been instances when the three entities, the Airport, Smith Dawson and the City's lobbyist, have worked together in the past.

Commissioner Strunsky noted that Smith Dawson's contract is from July 1, 2003 so we are a little after the fact. Is it possible to extend their contract for six months as we are already three months into it?

Mr. Martin added that it will take us four or five months to complete the RFP process, so he would prefer to extend the contract for the year, begin the RFP in December of this year, and award in Spring of 2004, to be effective July 1, 2004.

Commissioner Crayton agreed with Mr. Martin. She also felt it would give us the time we need to investigate the issues raised by Commissioner Johns.

Commissioner Mazzola said that this breakdown in communication should be mentioned to Smith Dawson.

Commissioner Johns said that she understood that the situation has improved since Greg Andrews joined the company.

Mr. Nardoza responded that Mr. Andrews was one of the founders of the company.

Mr. Martin added that it has only been within the last few years that Mr. Andrews became the Airport's primary contact. It was at that time when things really began going well.



Commissioner Johns said that she does not want to blacklist this group, however, since they have been around for a while she saw no reason why we couldn't look at other firms that might do a better job. She did understand that there is some indication that they are not always communicating with our people. She agreed to extending the contract for the remainder of the year, but felt that we should look at an RFP.

6. Extension of Shortlist of Consultants

No. 03-0168	Resolution approving a 3-year extension of the Shortlist of Consultants for Airport and Environmental Planning and/or Environmental Technical Services through August 21, 2007.
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Commissioner Johns asked what this item was about.

Mr. Ivar Satero explained that staff went through an extensive process to put together a shortlist for environmental technical services. With the downturn, we failed to issue a lot of the contracts that we thought we would need. Instead of going through another shortlisting effort, we thought we would extend this shortlist.

Commissioner Johns asked Mr. Satero if he believed that this group is about the best in the field.

Mr. Satero responded that he did. We do not believe that the group has expanded significantly to warrant bringing in other interested firms.

7. Neptune Networks - Extension of Internet Access Equipment and Service Trial

No. 03-0169	Resolution authorizing a month-to-month extension of internet access equipment and service trial period by Neptune Networks.
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8. Authorization to Issue Requests for Proposals for the New International Terminal Newsstands Lease and Terminal 3 Concourse Newsstand Lease

No. 03-0170	Resolution approving the lease specifications, minimum qualifications and proposal requirements, and authorization to accept proposals for the International Terminal Building Newsstands Lease and Terminal 3 Concourse Newsstand Lease.
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9. Bid Call - Contract No. 4321 - Terminal 1 - Sidewalk Canopy Improvements





No. 03-0171

Resolution approving the scope, budget, and schedule for Contract No. 4321, Terminal 1 - Sidewalk Canopy Improvement, and authorizing the Director to call for bids when ready.

10. Approval of a Lease with the Transportation Security Administration

No. 03-0172

Resolution approving a lease with the U.S. Government for office space to be occupied by the Transportation Security Administration at the International Terminal.

11. Approval of a License with the United States Government

No. 03-0173

Resolution approving a License with the U.S. Government for terminal space required for the screening of passengers, property, and baggage by the Transportation Security Administration.

12. Approval of a Lease with the United States Government

No. 03-0174

Resolution approving a lease with the United States Government for land to be used by the U.S. Coast Guard for a West Coast Port Security Unit.

13. Pacific Bell - Turn-Key Public Communications Lease - Exercise Second and Last One-year Option to Extend the Term - \$2.5 million

No. 03-0175

Resolution approving the exercise of the second and last one-year option to extend the term of Pacific Bell's Turn-Key Public Communications lease in the amount of \$2.5 million.

Ms. Tedi Vriheas, Pacific Bell Telephone Company & SBC Public Communications, said that the parties entered into the lease on January 1, 2000 for a term of three years with additional one year options.

The issue of whether the two one year options are enforceable is subject to on-going litigation. In the meantime, the parties are operating under an interim agreement negotiated earlier this year which preserves all of the parties legal rights and allows Pacific Bell to continue providing service to the Airport while the legal issues are resolved.

The tragic events of September 11 profoundly and permanently changed operations and security procedures at all U.S. airports. First, airline passenger



traffic at SFO declined dramatically, and second, airports across the country, including SFO, adopted unprecedented security measures which allowed only ticketed passengers beyond security checkpoints. This is where the majority of Pacific Bell phones are located. As a result, nearly half of Pacific Bell's customer base at SFO has been eliminated.

The Airport recognized the severe financial impact of 9/11 upon its tenants and by early 2002 had granted some form of rent relief to nearly all of them. However, for reasons that have not been explained, the Airport refused to offer any relief to Pacific Bell despite the fact that Pacific Bell was suffering staggering losses under the lease.

Pacific Bell attempted on several occasions to meet with Airport representatives to negotiate fair concessions similar to those granted to other vendors and tenants. However, the Airport has consistently refused to negotiate with Pacific Bell. Instead, the Airport proceeded to invoke the first of two one year options and filed suit against Pacific Bell in Superior Court to enforce the contract as written.

It is regrettable that the Airport has forced Pacific Bell into the situation where its only choice is to litigate or to continue to lose money year after year. While we like our chances of prevailing in litigation, in the interest of avoiding substantial expenses we have suggested several times that the parties submit this contract dispute to mediation. However, the Airport has flatly rejected all attempts at informal dispute resolution.

Pacific Bell intends to abide by its commitments to provide pay telephone and related public communications services at SFO and they will continue to do so uninterrupted until such time as this dispute is resolved. They would like to remain the Airport's provider of telecommunications services for years to come, but in order for this to happen we will have to deal with each other fairly and in good faith and in a way that does not unfairly harm one of us for the benefit of the other.

They hope the Airport Commission will take steps in this direction by rejecting the pending resolution.

#### 14. FAA Lease for the Demarc Building

No. 03-0176

Resolution approving the Federal Aviation Administration Lease DTFA08-03-I-22281 for the Demarc Building which houses an airfield communication system operated and maintained by the FAA, consisting of 523 square feet and ancillary space comprised of approximately 261 square feet of land for a cable duct that connects the Demarc Building to the Terminal Complex.



15. Airport Improvement Program AIP Project No. 3-06-0221-27 (Grant No. 27)

No. 03-0177

Resolution authorizing the Director to accept and expend a grant offer from the FAA for Airport Improvement Program (AIP) Grant Agreement No. 27, Project No. 3-06-0221-27.

\* \* \*

I. NEW BUSINESS:

Mr. Barry Taranto, cab driver, thanked Airport staff for a very successful and productive meeting last week at the Airport regarding the operation of CNG cabs and their incentives. He understands that at the Commission's next meeting the Commission will be presented with a resolution providing some solutions to this problem. He thanked Commissioner Mazzola for attending the meeting.

While airline passenger loads have diminished at the Airport, taxi passengers loads have diminished more substantially. He hoped that things could be made better, and hoped that the contractor could provide better scrutiny with regard to its own employees, how they relate to the cab drivers, and favoritism shown.

Mr. Tone Lee, cab driver, thanked the Commission for its efforts and hoped that things could be made better.

\* \* \*

J. CORRESPONDENCE:

There was no discussion by the Commission.

\* \* \*

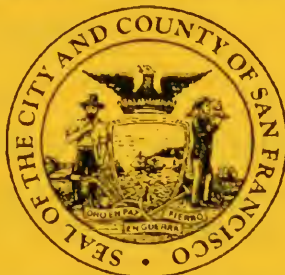
L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:35 A.M.

  
Jean Caramatti  
Commission Secretary



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## **MINUTES**

**September 29, 2003  
Special Meeting**

**8:00 A.M.**

**Room 400 - City Hall  
#1 Dr. Carlton B. Goodlett Place  
(400 Van Ness Avenue)  
City and County of San Francisco**

**WILLIE L. BROWN, JR., MAYOR**

### **COMMISSIONERS**

**LARRY MAZZOLA**

**President**

**MICHAEL S. STRUNSKY**

**Vice President**

**LINDA S. CRAYTON**

**CARYL ITO**

**ELEANOR JOHNS**

**JOHN L. MARTIN**

**Airport Director**

**SAN FRANCISCO INTERNATIONAL AIRPORT  
SAN FRANCISCO, CALIFORNIA 94128**





Minutes of the Airport Commission Special Meeting of  
September 29, 2003

CALENDAR SECTION	AGENDA ITEM	TITLE	RESOLUTION NUMBER	PAGE
A.		CALL TO ORDER:		3
B.		ROLL CALL:		3
C.		ITEMS INITIATED BY COMMISSIONERS:		
D.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	1.	Award Leases for the Domestic Terminals Food & Beverage Redevelopment Program	03-0178 thru 03-0205	
E.		NEW BUSINESS:		
F.		CLOSED SESSION:		
		Potential Litigation		\
G.		ADJOURNMENT:		



# AIRPORT COMMISSION SPECIAL MEETING MINUTES

September 29, 2003

## A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 8:00 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

## B. ROLL CALL:

Present:

Hon. Larry Mazzola, President  
Hon. Michael S. Strunsky, Vice President  
Hon. Caryl Ito  
Hon. Eleanor Johns

Hon. Linda S. Crayton arrived at 8:05 A.M., the beginning of the closed session.

\* \* \*

## F. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 8:05A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 8:23 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

\* \* \*

## C. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

\* \* \*

## D. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:



Item No. 1 was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

1. Award of Leases for the Domestic Terminals Food and Beverage Redevelopment Program

Nos. 03-0178  
thru 03-0205

Resolution approving the slate of operators for and award of 28 leases for the Domestic Terminal Food and Beverage Redevelopment Program.

Mr. Dave Pfeiffer, Associate Deputy Director, Business and Finance, explained that Host International, HMS Host is the current master tenant under the Domestic Terminal Food and Beverage Lease, which expires on August 31, 2004. Pursuant to Resolution No. 02-0226, the Airport Commission approved a direct leasing model for food and beverage operations upon expiration of HMSHost's lease. The goal of the direct leasing model is to yield greater control, more efficiency, and higher financial returns to the Airport.

Pursuant to Commission Resolution Nos. 02-0123, 02-0124, 02-0226, 03-0034, 03-0061 and 03-0162 the Commission previously approved the goals selection process requirements, business terms and other requirements for the Domestic Terminals Food and Beverage Redevelopment Program.

The goals included maximizing revenue potential to SFO, minimizing costs and risks to the Airport, maintaining the highest level of control over the program, insuring a worker retention cross training and card check rule incorporated into the lease, and developing a program that has a disadvantaged business enterprise and local business participation. Additional goals will insure the new program is in place by September 1, 2004, to develop a program delivering the highest level of service to the traveling public, and to insure that there is a smooth transition through an interim program before we arrive at the final program.

Commissioner Ito commended staff for bringing this complete package before the Commission. She noted that the existing package offers \$3.3 million in terms of the MAG; the new package is a little over \$1.9 million and with percentage rent in place asked what kind of projections in increased revenue is expected? Has the square footage increased?

Mr. Pfeiffer responded that Host has 105,000 square feet; the new package has 48,000 square feet of leaseable space, which does not include the common areas of the food court, office space, old Boarding Area A, or Terminal 2.

Mr. Martin, Airport Director, said that we are projecting annual revenue at \$5.4 million.

Commissioner Ito said that staff efforts of meeting M/WBE, disadvantaged business opportunities, and locally-owned business support is commendable, and she congratulated staff on the number of minority women owners.



Commissioner Mazzola noted that 15 respondents are already doing business at the Airport and asked if that was high.

Mr. Pfeiffer responded that there were several International Terminal operators that did not apply for the program. All of the Host subtenants in the Domestic Terminals applied, as well as Host itself.

Commissioner Mazzola asked how many of the 15 were selected.

Mr. Pfeiffer responded 13 of the 15; one failed to meet the minimum qualifications and one decided not to participate.

Commissioner Ito asked how many Host subtenants will come on board as independent operators in the new program.

Mr. Pfeiffer responded all of them.

Commissioner Ito asked if any new operators will be joining the Airport.

Mr. Pfeiffer said that approximately 16% of the square footage is new operators.

Commissioner Mazzola asked Mr. Pfeiffer if he is comfortable with the card check and worker retention requirements.

Mr. Pfeiffer responded that all of the operators understood and agreed with the requirements. Workshops will be held with the new tenants and the unions on how to handle worker retention.

Commissioner Crayton noted the significant community outreach performed by staff and commended their efforts.

Mr. Pfeiffer said that Leigh Fisher did a great job in outreach and held the special sessions at the Airport for the various ethnic chambers.

Commissioner Johns agreed with comments made by Commissioners and said that she participated in the early strategies of the program. She commended staff. She was also appreciative of staff's keeping the pricing at street pricing plus 10%. She hoped that we will be able to stay on schedule and meet all of the requirements.

Ms. Sherrie Chiesa, HERE, Local 340 and Mike Casey, President of HERE, Local 2 in San Francisco. She corrected Mr. Pfeiffer and said that all of the bidders have signed card check neutrality agreements, including worker retention language, except for one. They are not opposing award to that concessionaire. They have assurances and are hopeful that they will be able to work this out within the next 20 days, which is the time frame addressed in a resolution approved by the Commission at its last meeting.

She thanked the Airport staff for being so helpful and looked forward to working with staff on this complicated project in terms of worker retention.





\* \* \*

E. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests from the public to speak.

\* \* \*

G. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 8:35 A.M.

  
Jean Caramatti  
Commission Secretary



# **SAN FRANCISCO AIRPORT COMMISSION**



## **MINUTES**

**October 8, 2003  
Special Meeting**

**9:00 A.M.**

**Room 416 - City Hall  
#1 Dr. Carlton B. Goodlett Place  
(400 Van Ness Avenue)  
City and County of San Francisco**

**WILLIE L. BROWN, JR., MAYOR**

## **COMMISSIONERS**

**LARRY MAZZOLA**

**President**

**MICHAEL S. STRUNSKY**

**Vice President**

**LINDA S. CRAYTON**

**CARYL ITO**

**ELEANOR JOHNS**

**JOHN L. MARTIN**

**Airport Director**

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Minutes of the Airport Commission Special Meeting of  
October 8, 2003

CALENDAR SECTION	AGENDA ITEM	TITLE	RESOLUTION NUMBER	PAGE
A.		CALL TO ORDER:		3
B.		ROLL CALL:		3
C.		ADOPTION OF MINUTES:		
		Regular meeting of September 16, 2003	03-0206	3
D.		ITEMS INITIATED BY COMMISSIONERS:		
E.		POLICY:		
	1.	Airport Clean Vehicle Taxi Policies		
F.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	2.	West Field Cargo Redevelopment Project	03-0207	
	3.	Amendment No. 3 to Foreign Currency Exchange Lease No. 99-0449 - Travelex	03-0208	
	4.	Bid Call - Contract 8291 - Asbestos Abatement of Superbay Hangar	03-0209	
G.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
	5.	Authorization to Submit Amendment of Airport Passenger Facility Charge Program to FAA to Delete Use of PFC #1 Proceeds for Airfield Development Program Costs	03-0210	
	6.	Bid Call - Contract 4096 - Pavement Replacement and Construction, Phase 1	03-0211	
	7.	Bid Call -Contract 4237 - Airfield Ponding Improvements, Phase 1	03-0212	
	8.	Bid Call - Contract 8225 - Airport Perimeter Fencing, Phase 1	03-0213	
	9.	Modification No. 2 - Contract 1962, Phase C Waste Treatment Plant Construction - Professional Services Contract	03-0214	
	10.	Approve Lease Specifications, Minimum Qualifications, and Bid Requirements, and		



11. Marketing Services Contract - M-Line 03-0216

H. NEW BUSINESS:

I. CORRESPONDENCE:

J. CLOSED SESSION:

Potential Litigation

K. ADJOURNMENT:





# AIRPORT COMMISSION SPECIAL MEETING MINUTES

October 8, 2003

## A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 416, City Hall, San Francisco, CA.

\* \* \*

## B. ROLL CALL:

Present: Hon. Larry Mazzola, President  
Hon. Linda S. Crayton  
Hon. Eleanor Johns

Absent: Hon. Michael S. Strunsky  
Hon. Caryl Ito

\* \* \*

## C. ADOPTION OF MINUTES:

The minutes of the regular meeting of September 16, 2003 were adopted unanimously.

No. 03-0206

\* \* \*

## D. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

\* \* \*

## E. POLICY:

Item No. 1 was put over without discussion.

### 1. Airport Clean Vehicle Taxi Policies

Resolution modifying the Clean Vehicle Program for taxis Serving San Francisco International Airport.

\* \* \*

## F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:



Item No. 2 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

2. West Field Cargo Redevelopment Project

No. 03-0207

(1) Award (A) lease disposition and development agreement ("DDA") to AIRIS SFO LLC ("AIRIS") and (B) lease of Plot 9 to AIRIS through an escrow, as described in and subject to satisfaction of certain conditions in the DDA for the West Field Cargo redevelopment project; and (2) direct the Commission Secretary to request approval of the DDA and lease from the Board of Supervisors.

This activity is within the scope of the San Francisco International Airport Master Plan Program, which was approved by the Airport Commission on November 3, 1992. The Program EIR prepared for the Master Plan adequately describes this activity and its potential environmental effects for the purposes of the California Environmental Quality Act (CEQA).

Mr. Gary Franzella, Associate Deputy Director, Business and Finance, explained that this item requests award of the lease disposition and development agreement, and a lease of property on Plot 9 at the Airport to Airis SFO LLC for the redevelopment of the West Field Cargo area.

In April, 2002 the Commission authorized staff to issue an RFQ for a third party to redevelop the site with a state of the art cargo facility.

In July, 2002 the Commission approved a short list, which included Airis Holdings LLC, and the terms of the RFP, and authorized staff to issue an RFP. On January 30, 2003, the Commission authorized staff to enter into negotiations with Airis Holdings LLC for the redevelopment of the site.

Attached to the Commission resolution is a term sheet which outlines the major terms of the agreement.

The Lease Disposition and Development Agreement (DDA) will commence on the date that the parties execute and deliver the DDA following Airport Commission and Board of Supervisors approvals. The lease becomes effective and site control is delivered upon close of escrow of the DAA, which has a target date of eight months following the necessary approvals.

Construction is 38 months. There are a number of places in the term sheet that indicate the construction period is 36 months. Those corrections will be made and provided to the Commission Secretary.



Airis will be responsible for securing all financing for the project with some oversight and review by the Airport staff and our financial consultants, and Airis will reimburse us for those costs.

The Airport is assuming responsibility, as outlined in the RFP, for some environmental remediation of known contamination on the site.

Airis has committed to a 30% LBE participation on the project as outlined in their original proposal. They signed an equal opportunity agreement, consistent with the goals that they set forth in the RFP, and that agreement has been reviewed by our Airport staff.

The lease has two separate terms ... a 38 month construction term, followed by a 30 year operating term. Rent will commence at site turnover at \$2,741,572 a year, which reflects the fair market value of the 25 acre site based on market land values at our Airport at this time.

The base ground rent will be increased by CPI at the commencement of the operating term and each year thereafter, with fair market value reappraisal at years 11, 21 and 26.

The airlines will probably express some concerns. As the airlines are projected to be the ultimate subtenants in the facility, when the negotiating team was formed for this project we created a work term which included airline representatives, Airis representatives and members of Airport staff to try to work through and involve the airlines in these discussions.

They met a number of times within the last seven months with the airline team, and as recently as last Friday, conferencing with them on the latest terms. The airlines were seeking greater detail than Airis was comfortable providing because the terms of the master lease had not been finished. The Airport remains committed, as does Airis, to working through the airline concerns and providing the necessary details to bring this to a satisfactory conclusion.

There is an adjacent site of approximately four acres we have committed to aircraft parking in support of cargo activities in that region of the Airport, provided we are able to move our commuter terminal. Airis would have the first right to negotiate if we choose to do it through a third party.

We have made a commitment that during the stabilization period, defined as a five year period after construction completion, or until 90% occupancy of the facility is achieved, not to build additional cargo facilities that would compete with the project during that stabilization period. In addition, we have negotiated the right to purchase the facility anytime after the 10<sup>th</sup> anniversary at a negotiated rate, with the formula outlined in the agreement. If there is a catastrophic need of some sort to utilize the site before the 10 year anniversary, we would have the right to invoke the right to purchase provision at that point.

We request award of the Lease and DDA to Airis SFO LLC, and request the Commission Secretary to seek approval from the Board of Supervisors.



Commissioner Johns asked if the rent changes if construction is not completed in 38 months.

Mr. Franzella responded that it is the later of the facility being completed or the 38 months. If the facility is not completed at 38 months, the operating term would commence and at that point we would invoke the CPI from the initial site turnover to that date and apply it, and the land rent would go up and Airis would complete the project. The operating term would commence no later than 38 months.

Commissioner Crayton asked about the labor issues.

Mr. Franzella responded that Airis entered into a project labor agreement with the San Mateo County Labor Council on Friday, although the agreement has yet to be signed.

Mr. Alex Fedor, Airline Liaison Office, representing airline interests at the Airport, read a letter into the record on behalf of the named airlines. (See attached).

Mr. David Fries, Executive Vice President, AMB Property Corporation read a letter into the record. (See attached)

Mr. Ron Factor, on behalf of Airis, commended the Airport and the committee that was formed to help negotiate through the DDA. He appreciated Mr. Martin's leadership through the process, and Gary Franzella whose management skills helped them through this process in record time. Special thanks to Adrienne Go who was a stalwart during the process in negotiating the legal terms, along with the rest of the team, Monique Moyer, Kevin Van Hoy, Dorothy Schimke, Sam Mehta and Charles Sullivan.

Airis is delighted to be in this position before the Commission and they are fully prepared to initiate this project. They have come a long way through an arduous process and they believe that the final result of the ground lease and the DDA provides the City with unusual opportunities for revenue and also affords a solution that allows the project to be marketed at market rates.

They have worked closely with many of the airline tenants who will be subtenants of this facility. He is proud to say that they have expressions of interest from many of them, including EVA, Continental, Air France, Lufthansa, Swissport and Korean Airlines.

None of these airlines have expressed any dissatisfaction with the planning process, nor the rents that are being proposed.

He reminded the Commission that in January they were awarded the opportunity for exclusive negotiations with the Airport. They have done that in good faith and in record time. They are fully prepared to go forward to complete the process and they are delighted to announce today that they will begin that process as quickly as they can, and will meet all of their commitments.





Commissioner Crayton asked Director Martin to address a concern presented by Mr. Fedor regarding the lack of airline involvement in the process.

Mr. Martin responded that a committee was formed with the airlines so that there would be communication on the development proposal and the negotiations. Unfortunately, due to the timing of the completion of the negotiations, midnight on Friday, we have not had the opportunity to provide them with the latest information, but we will be sitting down with them in the coming days. They have been kept informed along the way. This is the first time that we have been made aware of concerns on the building design. They were aware of the building design from the very beginning.

We are committed to continue to working closely with the airlines as we proceed in finalizing the building design and putting the building in place.

Commissioner Mazzola thanked the staff and Airis for getting this project moving. The airlines have had the opportunity to state their case. They will have a chance again in front of the Board of Supervisors.

This is a very important project to us and it is time to move forward.

Item No. 3 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

3. Amendment No. 3 to Foreign Currency Exchange Lease No. 99-0449 -Travelex

No. 03-0208	Resolution approving Amendment No. 3 to Travelex's Foreign Currency Exchange Lease No. 99-0449, which reduces the Minimum Annual Guarantee (MAG) by 15%, from \$4,127,500 to \$3,508.375, effective January 1, 2003 thru December 31, 2003, and reinstates the full MAG of \$4,127,500 effective January 1, 2004.
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Mr. Leo Fermin, Deputy Director, Business and Finance explained that Travelex was one of the tenants included in the Concession Support Program when the Commission approved it in the wake of September 11. They had their minimum annual guarantee suspended from September 11 through December 31, 2002. For that period they paid a fee of 88 cents per international enplanement. Their MAG of \$4,127,500 was reinstated on January 1, 2003. Consequently, in January Travelex and DFS were the only tenants no longer included in the Concession Support Program. All the others continued to have their MAG suspended until passenger traffic reached 85% of the year 2000 levels.

Because of the Iraq war and the SARS outbreak, Travelex has requested relief from their MAG. Staff has reviewed their situation and has negotiated a 15% reduction in their MAG for calendar year 2003. If approved, their MAG for this period would decrease by \$619,125 to \$3,508,375. We believe this to be a fair solution as the amount of the relief is slightly less than the proportionate drop in



their sales revenue due to the war and SARS. As a comparison, when this lease was awarded in 1999, the second highest bidder bid a MAG of \$3.2 million, which is less than the MAG we're reducing for Travelex for this period.

Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

4. Bid Call - Contract No. 8291 - Asbestos Abatement of Superbay Hangar

No. 03-0209

Resolution approving the scope, budget, and schedule for Contract No. 8291, Asbestos Abatement of Superbay Hangar, and authorizing the Director to call for bids when ready.

Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance explained that this item approves the scope, budget and schedule for Contract 8291 and authorizes the Director to call for bids when ready.

This contract will abate approximately 325,000 square feet of area accessible to workers and will reapply non-asbestos fire protection. The approximate cost of the contract is \$6.5 million and should last approximately six months.

\* \* \*

G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 5 through 11, was moved by Commissioner Crayton seconded by Commissioner Mazzola. The vote to approve was unanimous.

5. Authorization to Submit Amendment of Airport Passenger Facility Charge Program to the Federal Aviation Administration to Delete the Use of PFC #1 Proceeds for Airfield Development Program Costs

No. 03-0210

Resolution authorizing the Airport Director to submit amendment of Airport Passenger Facility Charge program to the FAA to delete the use of PFC #1 proceeds for Airfield Development Program costs.

6. Bid Call - Contract 4096 - Pavement Replacement and Construction, Phase 1

No. 03-0211

Resolution approving the scope, budget, and schedule for Contract No. 4096, Pavement Replacement and Construction, Phase 1, and authorizing the Director to call for bids when ready.



7. Bid Call - Contract No. 4237 - Airfield Ponding Improvements, Phase 1

No. 03-0212                      Resolution approving the scope, budget, and schedule for Contract No. 4237, Airfield Ponding Improvements, Phase 1, and authorizing the Airport Director to call for bids when ready.

8. Bid Call - Contract No. 8225 - Airport Perimeter Fencing, Phase I

No. 03-0213                      Resolution approving the scope, budget, and schedule for Contract No. 8225, Airport Perimeter Fencing, Phase I, and authorizing the Director to call for bids when ready.

9. Modification No. 2 to Contract No. 1962-Phase C, Waste Treatment Plant Construction, with CH2MHill, for Professional Services Contract - \$122,000

No. 03-0214                      A proposed resolution approving Modification No. 2 to Contract No. 1962-Phase C, Waste Treatment Plant Construction, with CH2MHill to increase the contract value by \$122,000 to provide engineering services during construction of the required improvement and expansion of the Waste Treatment Plant.

10. Approve Lease Specifications, Minimum Qualifications, and Bid Requirements, and Authorization to Accept Bids for the Garage Taxi Staging Area Mobile Catering Truck Leases "A" and "B", Disadvantaged Business Enterprise Set-Asides

No. 03-0215                      Resolution approving the lease specifications, minimum qualifications and bid requirements, and authorizing staff to accept bids for the Garage Taxi Staging Area Mobile Catering Truck Leases "A" and "B", Disadvantaged Business Enterprise Set-Asides.

11. Marketing Services Contract for SFO - M-Line

No. 03-0216                      Resolution approving the terms of the Marketing Services Contract with the M-Line, a locally-owned WBE firm, to retain and develop airline service and support internal revenue-generating SFO divisions.

\* \* \*



H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests to speak from the public.

\* \* \*

I. CORRESPONDENCE:

There was no discussion by the Commission.

\* \* \*

J. CLOSED SESSION:

The Airport Commission did not go into closed session.

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

\* \* \*

L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:48 A.M.

  
Jean Caramatti  
Commission Secretary





# MEMORANDUM

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DATE: October 8, 2003

TO: AIRPORT COMMISSION

Hon. Larry Mazzola, President  
Hon. Michael S. Strunsky, Vice President  
Hon. Linda S. Crayton  
Hon. Carol Ito  
Hon. Eleanor Johns

FROM: Airline Liaison Office

SUBJECT: West Field Cargo Area Redevelopment Project

This letter is written on behalf of Northwest Airlines, American Airlines, Continental Airlines, United Airlines, Delta Air Lines, and Alaska Airlines to call on the Airport Commission to not adopt the Resolution before it regarding the proposed West Field Cargo Area Redevelopment Project. The Airlines are very concerned about the following issues: (1) certain known terms of the proposed business deal, (2) the lack of information on all of the terms of the business deal, (3) the lack of meaningful discussions on the terms of the Airline subleases for the new facility, and (4) the design of the proposed facility.

If the Commission will not vote down the Resolution, the Airlines ask that the Commission direct the Airport to provide the Airlines with additional information on the Project and give the Airlines 30 days to review the such information and to comment on the Project before further action is taken.

The Project business deal before the Commission includes a number of terms that will injure the Airlines. For example, the proposed Additional Ground Rent will impose an extraordinary fee on the Project that will be passed through directly to the Airlines rather than the simple ground rent that is imposed on all similar facilities at the Airport. In addition, the Airport commitment to not develop other air cargo facilities at the Airport for a period of time would create a cargo space monopoly for the Project developer at the Airport as no other cargo space will be available. Such a monopoly will increase airline costs and is inconsistent with the FAA prohibition on the granting of exclusive rights for aeronautical activities at federally funded airports.

The Airlines also have not been provided with detailed information on the terms of the proposed business deal for the Project. Given the key role of the Airlines in the Project and in the financing of the Airport, the Airlines must be given an opportunity to review and comment on the terms of the Project business deal.



In addition, the Airlines have not been engaged in meaningful discussions on the terms of the subleases that will be imposed on Airlines renting space in the new facility. As Airline rentals will solely underwrite the financing of the Project, the Airlines are surprised that the Project developer and the Airport have not engaged the Airlines in such sublease discussions. Despite repeated requests, the Project developer has not supplied the Airlines with full information on the most important sublease term—the rental rates that will be charged in the new facility. From the information that the Airlines have been provided, it is clear that these rental rates will be among the highest in the United States for similar facilities.

Finally, the Airlines have had no input on the design of the new facility and are very concerned by what they have seen of the proposed design. For example, the Airline cargo bays in the proposed facility appear to be too deep for cost-effective cargo handling requiring the leasing of excess space. The two-story design will also present cargo handling difficulties for Airlines on the second floor. The Airlines are concerned that the Project developer and the Airport have not engaged the Airlines in discussions on the design of the new facility that is supposedly being constructed for their use and benefit.

The Airlines would like to thank the Commission for considering their views on this matter. In addition, the Airlines would again ask that the Commission meet with the Airlines on the Project. Because of the central Airline role in supporting the proposed Project funding, the Airlines believe that the Commission and the Airport would be well served by discussing Airline concerns. The Commission can arrange such a meeting through the Airline Liaison Office to be held at your convenience.

cc: John Martin -- SFIA  
Gary Franzella -- SFIA  
Current and Prospective West Field Cargo Area Tenant Airlines



Comments of David S. Fries, Executive Vice President, AMB Property Corporation  
San Francisco Airport Commission – October 8, 2003

President Mazzola, Honorable Commissioners, Mr. Martin, my name is David Fries and I am an Executive Vice President at AMB Property Corporation. In addition to being headquartered here in San Francisco, we are active participants in this community, and take pride that we are being honored next week by the San Francisco Chamber of Commerce with an “Ebbie” Award in the field of Corporate Philanthropy. I am here before you today to strongly urge you not to approve the entering into a ground lease and DDA with Airis for the redevelopment of the West Field Cargo Area at SFO. Leaving aside all of the business reasons why you should not approve this transaction, from a procedural standpoint alone, and despite the good work of Airport Staff in providing a summary of terms, neither the general public nor interested parties – such as the impacted airlines – have been afforded an opportunity to review and comment upon the actual ground lease or DDA, which include numerous material conditions not fully described in the summary of terms.

Over 8 months ago, I appeared before you to urge that you follow the recommendation of an overwhelming majority of the members of not one, but two, independent selection panels convened by you, as well as the recommendation of Airport Staff, and that you award this project to AMB. As you may recall, independent experts concluded that the AMB proposal provided more revenue to the City, at a lower cost to the airlines, and with much less risk, than Airis’. Last January I pointed out several fatal flaws in Airis’ proposal – no financing commitment, projected rents that were beyond the means of the airlines or the market to bear, too little revenue for the City. At that time I predicted that there was no way Airis would ever build this project in the manner and on the schedule proposed.

Let’s see where we are over 8 months later. It has taken Airis 6 months longer than scheduled just to negotiate the DDA and ground lease. Airis’ construction schedule is pushed back almost 2 years. The net present value of additional rental projected to be paid to the City during the next 9 years has been reduced by over 75%. The guaranty proffered by Airis provides the City with scant protection against the risk of default by Airis. The rents are still too high. And, there is still not even a hint of a financing commitment. No wonder the airlines have consistently registered on the record their disapproval of the Airis project.

When one sorts through all the facts, what one is left with is an up to 32 month option providing virtually all of the upside to an out-of-town developer, while at the same time imposing significant restrictions on the Airport’s flexibility.

In conclusion, I would like to reiterate that AMB remains prepared to undertake this project on terms significantly more favorable to the City, without financial uncertainty and in a manner supported by the airlines. The City’s, the airlines’ and the public’s interest should not take a back seat to other interests that we remain unable to fathom.

Thank you for your consideration.



# **SAN FRANCISCO AIRPORT COMMISSION**



## **MINUTES**

October 21, 2003

9:00 A.M.

Room 400 - City Hall  
#1 Dr. Carlton B. Goodlett Place  
(400 Van Ness Avenue)  
City and County of San Francisco

**WILLIE L. BROWN, JR., MAYOR**

## **COMMISSIONERS**

**LARRY MAZZOLA**

President

**MICHAEL S. STRUNSKY**

Vice President

**LINDA S. CRAYTON**

**CARYL ITO**

**ELEANOR JOHNS**

**JOHN L. MARTIN**

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT  
SAN FRANCISCO, CALIFORNIA 94128**

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Minutes of the Airport Commission Meeting of  
October 21, 2003

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## AIRPORT COMMISSION MEETING MINUTES

October 21, 2003

### A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

### B. ROLL CALL:

Present: Hon. Larry Mazzola, President  
Hon. Caryl Ito  
Hon. Eleanor Johns

Absent: Hon. Michael S. Strunsky, Vice President  
Hon. Linda S. Crayton

\* \* \*

### C. ADOPTION OF MINUTES:

The minutes of the special meetings of September 29, 2003 and October 8, 2003 were adopted unanimously.

No. 03-0217

\* \* \*

### D. SPECIAL ITEM:

#### 1. Retirement Resolution - Mr. N. Dale Dunham

No. 03-0218

Mr. John Martin, Airport Director, said that Mr. Dunham has been the Airport Emergency Planning Coordinator for slightly more than 14 years. He has done an outstanding job in coordinating many emergency disaster drills and coordinating with local, state and federal agencies to provide mutual emergency response. He also played a lead role in the design and development of the new Emergency Operations Center at the Airport.

We wish Mr. Dunham well in his retirement.

\* \* \*

E. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

\* \* \*

F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item Nos. 2, 3 and 4 were called together. The items were moved by Commissioner Ito and seconded by Commissioner Johns. The vote to approve was unanimous.

2. Variable Rate Bonds Authorization and Auction Rate Bonds Sale Resolution

No. 03-0219

No. 03-0220

Resolution approving the eleventh supplemental resolution providing for the issuance of San Francisco International Airport second series variable rate revenue bonds, and adoption of resolution providing for the sale of not to exceed \$305,000,000 aggregate principal amount of San Francisco International Airport Second Series variable rate revenue refunding bonds (auction rate), approving certain documents and amendments in connection therewith, and providing for the delegation of the negotiated sale of such bonds to the Airport Director.

Mr. Leo Fermin, Deputy Director, Business and Finance said that our next debt refinancing will be Issue 30 when approximately \$305 million worth of outstanding bonds become callable on May 1, 2004.

Item Nos. 2, 3 and 4 provide for alternative ways to structure this next refinancing. These alternatives were developed by the Airport's financing team and were vetted by the Airport's finance advisory panel.

Since 1983, short term interest rates have almost always been lower than long term rates and have averaged around 3.2%. Today, short term rates are averaging about 1% as compared to the fixed long term rates of about 5.3 to 5.5%. Thus, the structure that would result in the greatest amount of debt service savings would be variable rate refunding bonds. Agenda Item No. 2 provides for this.

Under this plan auction rate bonds with maturities ranging from seven to 35 days would be issued and rolled over through new bids. This is similar to the City's variable rate structure currently in place for the Moscone Center West project.

As an alternative, the Airport could issue fixed rate refunding bonds on a forward basis, most likely some time during the month of November, to lock in today's fixed interest rates and close the transaction between February 1<sup>st</sup> and May 1<sup>st</sup>. Agenda Item No. 3 provides for this alternative.

The Airport's financial advisors recommend a variable rate refunding approach in order to achieve the greatest savings. Under this approach, the financial advisors project that net present value savings based on today's interest rates would range between \$35-\$40 million compared to approximately \$9 million for a fixed rate forward transaction.

Board of Supervisors approval is necessary to issue variable rate bonds. In case the Board does not approve our request to issue variable rate bonds, or if the approval process is protracted or delayed, Agenda Item No. 3 gives us approval to issue fixed bonds today in order to lock in today's interest rates for a closing on May 1, 2004.

If we do the variable rate refunding, the selected underwriters would be those from the Commission's pre-approved variable rate pool who have the capability and experience with option rate securities. In order to include DBE underwriter firms we would then carve out approximately \$25-\$30 million of non-A and P bonds and refund those on a fixed rate advanced basis and do this carve out with DBE underwriters from the pool. Agenda Item No. 4 authorizes this carve out.

If we do the fixed rate forwards, then almost all of the firms in the fixed rate underwriter pool previously approved by the Commission, including DBE firms, would be underwriters. However, there are about three firms in the pool who have still not complied with HRC requirements. If these firms meet the requirements by the time we are ready to do the transactions they will be included.

The three agenda items provide for our Plan A which would yield the most savings. This first plan would be to do the variable rate refunding with a fixed rate carve out for DBE underwriters. In the event we do not receive Board of Supervisors approval, or, if that approval is delayed then we have Plan B which we can execute and realize a savings through a fixed rate forward refunding. Ultimately, we could also wait until February 1, 2004 and do a current refunding which these resolutions also authorize.

Upon approval by the Commission, we will submit the variable rate refunding to the Board of Supervisors for approval. He expects that we will know our course of action as soon as one week or as late as the end of November and he will advise the Commission accordingly.

Commissioner Johns assumed that Mr. Fermin will be consulting with the public finance people.

Mr. Fermin responded that they have been working closely with Ms. Monique Moyer on these proposed transactions. Ms. Moyer has also had preliminary

discussions with Supervisor Peskin. Their plan is to work closely with Ms. Moyer to explain these transactions to the Board of Supervisors.

Commissioner Johns said that she has had conversations with Ms. Moyer. She understands that all of our debt is in a fixed rate and asked how that happened.

Mr. Fermin responded that we have historically been very conservative and as a practice in the past we have always issued fixed rate bonds. Today we acknowledge that as an organization it would be wise to carry some portion of our debt on a variable rate basis in order to take advantage of the interest rate savings.

Many organizations try to carry variable rate debt on their books in a range of between 10-20% of their total outstanding debt. With this transaction we will be taking that to about 7%.

Mr. Martin added that an agency with a very small amount of debt, as we had in the 1980s, would not want to expose itself to risk. We could have fixed rate debt and still have low airline fees. Then we began using Commercial Paper and had \$200 million or so in commercial paper variable rate debt outstanding. However, Federal law requires us to convert that to fixed rate debt after three years. Once we took out Commercial Paper we began working on plans to put in place some variable rate debt.

Commissioner Ito asked if we receive Board approval before the end of the year is it more advantageous for us to do the variable by the end of November.

Mr. Fermin responded that if we receive Board of Supervisors approval in November we would begin working on the transaction and try to have it done some time in December, if possible. We will watch how it progresses through the Board. If it looks unlikely that we will have approval by December we will move forward to lock in today's interest rates.

Commissioner Johns asked how we will make sure the timing is correct.

Mr. Fermin responded that if we do the variable rate refunding we will implement two scenarios ... the carve out and the variables.

Commissioner Mazzola asked if additional Board approval is necessary for the deal, or do we just need approval of the concept.

Mr. Fermin responded that we only go to the Board for approval of the concept.

### 3. Forward Delivery Fixed Rate Refunding Bonds Sale Resolution

No. 03-0221

Resolution providing for the negotiated sale of not to exceed \$305,000,000 aggregate principal

amount of San Francisco International Airport Second Series Revenue Refunding Bonds (forward delivery fixed rate), approving certain documents and amendments in connection therewith, and providing for the delegation of the negotiated sale of such bonds to the Airport Director.

4. Advance Refunding Bonds Sale Resolution

No. 03-0222                      Resolution providing for the negotiated sale of not to exceed \$305,000,000 aggregate principal amount of San Francisco International Airport Second Series Revenue Refunding Bonds (advance refunding), approving certain documents and amendments in connection therewith, and providing for the delegation of the negotiated sale of such bonds to the Airport Director.

Item No. 5 was moved by Commissioner Johns and seconded by Commissioner Mazzola . The vote to approve was unanimous.

5. Establish ParkFAST@SFO Parking Facility in the Domestic Parking Garage

No. 03-0223                      Resolution establishing ParkFAST@SFO on Domestic Garage-Level 4. ParkFAST is a new, premium service located adjacent to Terminal 3. It will offer premium parking in close proximity to Terminal 3 and convenient access and egress at card-actuated gates, for frequent travelers.

Mr. Fermin explained that we continually look at ways to improve customer service and find potential new sources of revenue. One idea is to create a premium parking area marketed to frequent travelers. This facility will be located between self parking in the garage and Valet parking, and will offer expedited exit and entry into the facility. We plan to open the facility on Monday, November 3. We are in tentative discussions with some airlines to co-market this facility.

The success of the concept will be evaluated once the six-month milestone has been reached, or, when we obtain a ratio of three subscribers for each of the 350 stalls, whichever comes first.

\* \* \*

G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:



The Consent Calendar, Item Nos. 6 through 9, was moved by Commissioner Johns and seconded by Commissioner Mazzola. The vote to approve was unanimous.

6. Supplemental Appropriation of Previously Approved Capital Infrastructure Projects - \$41,400,000

No. 03-0224 Resolution approving supplemental appropriation request of \$41,400,000 for capital infrastructure projects previously approved by the Commission as part of the FY 2003/2004 budget.

7. Morrison & Foerster LLP to Increase Compensation (re Master Plan/Phase B Contract and Airline Lease and Use Contract) - \$150,000

No. 03-0225 Resolution approving Contract Modification No. 4 to legal services agreement with Morrison & Foerster LLP to increase compensation by the amount of \$150,000.00 (re Master Plan/Phase B and Airline Lease and Use contract.

8. Modification No. 10 to Contract No. 8136B - Explosive Detection Baggage Inspection Machine Installation and Infrastructure Changes (FDS) - \$300,000

No. 03-0226 Resolution approving Modification No. 10 in the amount of \$300,000 to provide an interim explosive detection baggage inspection system (EDS) for America West Airlines at the old TWA location in order to accommodate America West's new flights on December 19,2003. In the event the Transportation Security Administration (TSA) does not fund this work in time to accommodate the new flights, the proposed funding source is Airport EDS project (Contract 3136.B) under runs. The FAA is reimbursing the Airport 75% of its EDS project costs under FAA/AIP Grants 17, 23, and 24.

9. Modification No. 2 to Contract No. 5001C - Master Plan Landscaping - Watkin & Bortolussi, Inc. - \$173,187

No. 03-0227 Resolution approving Modification No. 2, to Contract 5001.C, Master Plan Landscaping with Watkin & Bortolussi, Inc., in the amount of \$173,187 for a new contract value of \$2,394,887. Funding will be provided from the project budget with no impact to the Master Plan Budget.

Commissioner Ito remembered that this was delayed a couple of years ago and asked if we are now finishing it up.

Mr. Ivar Satero, Deputy Director, Airport Development said that we are nearing completion of the planting of the redwoods. The cost in the modification is due to the temporary suspension of the project, and includes additional costs for top soil, labor escalation, etc.

\* \* \*

#### H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests to speak from the public.

\* \* \*

#### I. CORRESPONDENCE:

There was no discussion by the Commission

\* \* \*

#### J. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:20 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b)(1) to confer with legal counsel regarding a settlement of an unlitigated claim between Vanguard Airlines and CCSF, Airport Commission; Government Code Section 54956.9(a) to confer with legal counsel regarding a settlement of litigation entitled TWA Postconfirmation Estate v CCSF, Airport Commission, U.S. Bankruptcy Court for the District of Delaware, Adv. No. 02-07136; and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.



The Commission reconvened its public session at 9:35 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

\* \* \*

L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:36 A.M.

Jean Caramatti  
Commission Secretary



# **SAN FRANCISCO AIRPORT COMMISSION**



## **MINUTES**

**November 4, 2003**

**9:00 A.M.**

**DOCUMENTS DEPT.**

**DEC 30 2003**

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PUBLIC LIBRARY**

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#1 Dr. Carlton B. Goodlett Place  
(400 Van Ness Avenue)  
City and County of San Francisco**

**WILLIE L. BROWN, JR., MAYOR**

## **COMMISSIONERS**

**LARRY MAZZOLA**

**President**

**MICHAEL S. STRUNSKY**

**Vice President**

**LINDA S. CRAYTON**

**CARYL ITO**

**ELEANOR JOHNS**

**JOHN L. MARTIN**

**Airport Director**

**SAN FRANCISCO INTERNATIONAL AIRPORT  
SAN FRANCISCO, CALIFORNIA 94128**



Minutes of the Airport Commission Meeting of  
November 4, 2003

CALENDAR SECTION	AGENDA ITEM	TITLE	RESOLUTION NUMBER	PAGE
A.		CALL TO ORDER:		4
B.		ROLL CALL:		4
C.		ADOPTION OF MINUTES:		
		Regular meeting of October 21, 2003	03-0230	4
D.		ANNOUNCEMENT BY SECRETARY:		4
E.		ITEMS INITIATED BY COMMISSIONERS:		4
F.		POLICY:		
	1.	Modification to Clean Vehicle Taxicab Policies	03-0231	
G.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	2.	Request for Qualifications to Establish a Pool of Consultants for Airport Management Consulting Services	03-0232	
H.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
	3.	CalStar Retail, Inc.'s Boarding Area F Newsstand Lease No. 98-0026	03-0233	
	4.	Modification No. 7 to Lease & Use Agreement L-82-0119 with Northwest Airlines and Modification No. 6 to Lease & Use Agreement L-82-0115 with Delta Air Lines	03-0234 03-0235	
	5.	Approve Lease Specifications/Minimum Qualifications for Boarding Areas B and C Books and News Stores Lease, and, Holdover Host International's Boarding Area B and C Bookstores Lease No. 98-0254	03-0236 03-0237	
	6.	Approve Lease Specifications, Minimum Qualifications and Bid Requirements and Authorize a Pre-Bid Conference for the Vending Machines Lease	03-0238	
	7.	Consent to Assignment of New International Terminal Bookstore/Café Lease from WHSmith to Airport Management Services, LLC	03-0239	



- I. NEW BUSINESS:
- J. CORRESPONDENCE:
- K. CLOSED SESSION:
  - Potential Litigation
- L. ADJOURNMENT:





# AIRPORT COMMISSION MEETING MINUTES

November 4, 2003

## A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

## B. ROLL CALL:

Present: Hon. Larry Mazzola, President  
Hon. Michael S. Strunsky, Vice President  
Hon. Caryl Ito  
Hon. Eleanor Johns

Absent: Hon. Linda S. Crayton

\* \* \*

## C. ADOPTION OF MINUTES:

The minutes of the regular meeting of October 21, 2003 were adopted unanimously.

No. 03-0230

\* \* \*

D. ANNOUNCEMENT BY SECRETARY: In accordance with the Brown Act, Jean Caramatti, Commission Secretary announced the unanimous adoption of Resolution No. 03-0228 regarding the settlement of an unlitigated claim against Vanguard Airlines in the amount of \$19,430; and 03-0229 regarding the settlement of litigation entitled TWA Postconfirmation Estate v CCSF, Airport Commission in an amount up to \$47,500 at the closed session of October 21, 2003.

\* \* \*

## E. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

\* \* \*

## F. POLICY:



Item No. 1 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The item was approved by a 3-1 vote, with Commissioner Johns casting the dissenting vote.

1. Modification to Clean Vehicle Taxicab Policies

No. 03-0231

Resolution modifying the Clean Vehicle Program for taxicabs serving San Francisco International Airport.

Mr. John Martin, Airport Director, said that the Airport has been very successful in increasing the number of CNG cabs to over 100 today. Clearly it has been the incentive program that was established that has been successful in increasing the number of CNG cabs on the streets, producing enormous environmental benefits. However, in the last two years we have seen a dramatic change in the taxi business at the Airport. From April 2001, when we were seeing close to 4,200 trips per day, we are down to about 2,500 trips per day in March 2003.

The relative economic value of the front of the line privilege for CNG cabs has increased tremendously as the length of the lines has increased. We have tried, over past several months to find a balance that maintains the relative economic value that was first given to the CNG cabs and also recognizes the much longer lines that are in place today and try to create a much more level playing field.

Mr. Tryg McCoy, Assistant Deputy Director, Operations said that the resolution before the Commission modifies the existing clean air taxicab incentives serving the Airport. This resolution is necessary and fairly represents the interests of both the Compressed Natural Gas (CNG) taxicab owner/operators as well as the interests of the regular gas taxicab owner/operators. It provides for an equitable solution to both sides of this critical issue and will allow for a continued readily available, on demand supply of taxicabs to the public at San Francisco International Airport. It will also continue to stimulate future growth of the City's fleet of clean-air taxicabs.

This resolution is the culmination of a lot of work. Over the past two months he has worked with Alice Sgourakis of his staff to understand the issue and to draft this resolution before the Commission today.

We have held two open forum meetings with representatives from the CNG and non-CNG drivers and conducted a fact-finding meeting that included all interested parties ...

- an Airport Commissioner
- several members of the San Francisco Taxicab Commission
- CNG fuel suppliers
- the Taxicab Fleet Manager of S&C Ford, which supplies the majority of both regular gas and CNG taxicabs
- owner/operators of CNG and non-CNG taxicabs
- members of the City Environmental Department
- representatives of the San Francisco Taxicab Association



- representatives of the United Taxicab Workers

We have also held individual meetings with ...

- an owner/operator of a Taxicab company that operates 10 CNG taxicabs
- a taxicab company owner that does not yet operate any CNG taxicabs but is considering making a large purchase of CNG vehicles
- S&C Ford Fleet Maintenance Manager that maintains both regular and CNG taxicabs
- representatives of the regular gas operators
- representatives from the City Attorney's Office
- we have fielded numerous phone calls from interested parties.
- innumerable telephone calls and individual one-on-one meetings with taxicab drivers

All of this dialogue was done with six goals in mind:

- To understand how the Airport's Clean Air Incentive Program, as modified in March of this year, has created such dissention among the taxicab industry, while at the same time so successfully stimulating an unprecedented and unforeseen growth in CNG taxicabs.
- To look for a fair solution to reduce the inequities in taxicab driver daily revenue out of the Airport between CNG and non-CNG drivers that resulted out of the March Airport Commission resolution.
- To look for a solution that will allow for a limited growth of additional CNG taxicabs to be granted benefits under a modified incentive program, while capping the number of clean-air taxicabs allowed into the Airport's program to an operationally manageable number.
- To find a solution that is operationally sound and will continue to provide on-demand availability of taxicabs to Airport patrons during the 16 hours per day our Curbside Management Program operates.
- Finally, in recognizing that 72 clean air taxicabs have been purchased since the March incentive program, we looked for a fair means to provide these owners with a financial incentive that is in line with the intent of the program.
- To seek and propose solutions to shift the clean air incentive burden from the sole responsibility of the Airport to encourage other City departments to find ways to grow the City's clean air taxicab fleet.

The resolution before the Commission wholly addresses each of these goals.

In summary, the changes this resolution would make to the currently existing three Airport Commission Clean Air resolutions are as follows:

- Rescind the three previous Airport Commission Resolutions pertaining to clean air taxicab incentives.



- Establish a revised incentive program to allow one front of the line privilege per shift vs the two per shift now authorized, double the time in which the trip fee is waived for these once per shift front of the line privileges for existing incentive groups 1 and 2.

		Trip Fees Waived:
Group 1:	Cabs 1-60	From 2 years to 4 years
Group 2:	Cabs 61-104	From 18 months to 36 months
Group 3	Cabs 105 -140	Newly created ... 12 months

- Places a cap at 140 clean-air vehicles
- Allows for replacement of a CNG vehicle during the permitted lifetime.

The resolution also offers Airport staff assistance to the Taxi Commission and the Board of Supervisors to consider a reduction in annual fees for CNG taxis or in consideration of a mandated phase in of clean-air taxis. We want to offer our help to shift the sole responsibility for increasing the clean-air taxicabs from the Airport to other City agencies or through new legislation.

Staff recommends these changes based on the following facts:

- Taxi trips out of SFO are down 16% over 2002. 2002 was already down 19% over 2001, taking the total to -39% in 2003 from 2001. The slow economy, reduction in flights and business travel, SARS, post 9/11 security fears and the start-up of BART, which carries an average of 3,000 passengers a day to and from the Airport, have all contributed to the reduction in Airport taxi business.
- Reduced trips cause increased time waiting in the Airport staging lots from an average of 45-60 minutes in 2001 to 120+ minutes in 2003 for non-CNG cab drivers. However, front of the line benefits offered to CNG taxis of two per shift shorten the wait for these drivers to an average of 30-40 minutes.
- Large discrepancy in wait times between CNG vs regular gas results in extra trips from the Airport for CNG taxicabs and is causing an unanticipated variance in daily taxicab driver revenue between CNG and regular cab drivers. The issue has become divisive with the vast majority of drivers seeking to have the program eliminated.
- Another unintended consequence of the March resolution was that it created a competitive disadvantage to the non-CNG operators that could not participate in the incentive program due to lack of a medallion or the resources to lease one.
- There is a perception among non-CNG taxicab drivers that the additional revenue now going to the CNG drivers is coming directly from their own pockets. They feel they are subsidizing the CNG drivers.
- The Taxi Commission and the San Francisco Taxicab Association have both expressed their desire for the Airport to discontinue the program.





In the public comment portion of today's meeting you will hear from all sides. The numbers are simple. Opposed are 104 current CNG taxicab owners who will have their incentives modified with the passage of the proposed resolution. In favor of this resolution are 1,881 non-CNG taxicab medallion holders that see this proposal as a fair and just solution to the problem.

The CNG speakers will state that this Commission has an obligation to continue the program in its current form. However, this proposed resolution does continue that steadfast commitment to offer a financial incentive to those that purchase CNG taxicabs in excess of any additional purchase or equipment maintenance cost plus provides for any extra lost time taken to find a CNG refueling station. One front of the line privilege per shift combined with a waiver of the trip fee will still allow participants to quickly pass through the holding lots and be more productive than non-CNG participants.

This proposal may not generate the same economic benefit they now enjoy, but will certainly continue to provide a financial incentive above and beyond the cost to own and operate their vehicles.

You will also hear from a number of non-CNG taxicab drivers that will state how unfair the current incentive program is and how it places undue financial harm on individual regular gas drivers and owners.

You will hear from CNG fuel suppliers, members of the Taxicab Commission and a representative of the San Francisco Taxicab Association — all in support of the proposal.

You may also hear from an owner of one San Francisco taxicab company who will announce the acquisition of possibly the City's largest fleet of CNG taxicabs, based upon the belief that one per shift is a sufficient incentive to continue to grow and participate in this program.

There is justifiable passion on all sides of this issue. This resolution proposes a fair and just solution to the problem and adequately represents the interests of both sides.

Commissioner Ito asked about the loss of revenue to the Airport in the extension of no trip fees.

Mr. McCoy responded that the trip fee waiver for a short trip is \$2.00 per trip. There is no subsidy to this program. When you cap the number of taxis at 140 and you do the math, it is less than it could be now under the current program.

Commissioner Ito shared Mr. McCoy's sentiment and strong recommendation. She believed that with the leadership that the Airport and Airport staff took on the CNG incentives and because of these intended consequences of fewer taxi trips to the Airport due to circumstances over which we have no control. She asked about the sentiment of the Board of Supervisors. The Airport took the leadership and we are stuck with the policy that is now being perceived as unfair. This



program can serve as a model, with some improvements, but needs City-wide support. The language in terms of "shifting" should be shared.

She has spoken with Naomi Little of the Taxi Commission about where this is going as a City-wide policy to create some other incentives that the City takes responsibility, not just the Airport.

Mr. McCoy agreed with Commissioner Ito. He said that what we found by people in the industry ... CNG suppliers, fuel suppliers, taxicab suppliers, Naomi Little and Taxi Commission members ... that there may be things out there that other departments can do, such as reduce registration fees for CNG taxis.

Commissioner Ito said that if we agreed with this modification it would give CNG drivers some level of confidence that we are in support of this good policy and we want the City to take some responsibility. There would be a comfort level for all of us if we knew that the leadership in the City would support this and that other departments would share in this responsibility.

Mr. McCoy said that discussions were held with the City's Environmental Department and they did not provide any solutions to this issue.

This program, as modified, will continue to grow up to 140 CNG vehicles and at that point the Airport has really done its part. We can certainly offer our expertise that we have gained so far in helping to look for other solutions.

Mr. Martin said that we will continue to follow up with Naomi Little, the Mayor's Office and the Department of the Environment to see what other steps can be taken to have the City do more proactively to encourage the CNG cabs.

Commissioner Strunsky said that it is a good to promote and encourage the use of CNG vehicles. When the incentive package first came before the Commission, the idea was to mitigate the cost penalty of drivers who bought and operated CNG vehicles. What seemed to have happened is that we now are not just dealing with reimbursing the cost penalty, but we have actually created a higher income level of the CNG driver because of the concessions we are making ... much more than compensating the cost of purchasing a CNG vehicle and fueling. We have actually overcompensated.

He asked if that is a correct understanding?

Mr. McCoy responded that that is the question ... and one that does not have a simple answer. It depends on who you are talking to. He talked to a lot of people to try and find the truth.

A CNG Crown Victoria from S&C Ford has a list price of \$31,000, but there are rebates. Once the rebates from the dealer are applied, once the rebates from the State are applied, that the actual cost of a CNG, without tax, is \$27,000. A regular gas vehicle is \$27,000. The argument is then offered that a used cab can be bought for \$12,000 or \$10,000. That used taxicab does not have the same permitted three year life as does a new cab.



What is the increased cost in maintaining a CNG vehicle. Individuals who maintain CNG vehicles claim that there is no increased cost. There are additional inspection that must be made, and a CNG vehicle must be maintained just as you would maintain a regular cab. He is told that there are not enough options of places to take a CNG vehicle for maintenance. The result is that the cost of purchase and maintenance is no greater than a regular gas vehicle. Therefore, the extra trips that are picked up from the Airport as a result of these front of the line privileges are generating extra money in a CNG drivers pocket at the end of the day that is not being generated for a non-CNG operator. We have created an imbalance. This was not the intent of the program.

In fact, when business is slow, the two per shift incentive is much more valuable than we ever intended it to be.

Some will say that he got his numbers wrong but he based his conclusions by talking to a great number of people and trying to find the truth. He thinks this is the truth.

Commissioner Strunsky assumed that this levels the playing field somewhat.

Mr. McCoy responded that he feels that it does level the playing field. It also continues to offer a good incentive program to CNG operators. The \$2.00 trip fee waiver at four per day doesn't sound like much but over the course of a year it is over \$1,000 that they are getting that a non-CNG is not getting.

Commissioner Johns said that she was concerned about the 72 CNG vehicles purchased from March to today and would like to be reassured that they have been able to and would continue to be able to get the return on their investment that they thought they would be getting.

She agreed with Commissioner Strunsky in that we did not set this up to create a profit center for them but to give an incentive.

She asked Mr. McCoy to address those 72 vehicles in terms of return on their investment and how that would be affected by this change in policy. Will they get a return on their investment or will they be penalized? She has no problem in a change in policy if it looks like there is a detriment to the entire program.

Mr. McCoy responded that he believed that they will get the return on their investment. The one front of the line privilege per shift that they will enjoy for four years, combined with the trip fee waiver will generate an extra one or two trips per day out of the Airport. The value of a trip per day has been estimated at between \$25 and \$40, depending on where they are going. If a driver gets two extra trips per day at even \$25 a trip is \$50 per day. This more than compensates for the extra cost of the vehicle and any extra maintenance cost of the vehicle.

Commissioner Mazzola said that when this program at one per shift, it did not take off. Because the program seemed to lag we increased it to two per shift. Then the program began to take off. CNG drivers began making more money and the playing field was no longer level. We need to get the playing field back.





He also did not like the fact that not everyone was eligible to purchase a CNG vehicle.

Mr. McCoy explained that an individual who is "gas and gate" ... someone who shows up, pays a gate fee and drives a taxi who does not have access to a medallion (either owns it or leases it) cannot purchase a CNG vehicle.

Ms. Naomi Little, Executive Director, Taxi Commission explained that the reason that only medallion holders can purchase taxi cabs is because we have a finite number of taxi cabs on the street. So, an individual can't go into S&C Ford and purchase a taxi cab because we would then have more taxi cabs than what is authorized to be on the street.

In response to Commissioner Ito's question about the Taxi Commission's role, she said that when the renewal fees come up next June the Taxi Commission can ask for a reduction or discount in fees for clean vehicles. The Taxi Commission won't limit this to CNG vehicles because there are other clean vehicles out there.

The Taxi Commission is also looking at other incentives for cab companies to purchase clean vehicles who represent the lion share of medallions to encourage them to purchase clean vehicles. Many cab companies are purchasing used vehicles with less than 60,000 miles on them. At the present time there is no used CNG market. The Taxi Commission wants to establish incentives at the cab company level to encourage them to have a percentage of their fleet to be green. They are meeting with the City Attorney and Jered Blumfeld of the Department of the Environment to see what can be done to encourage this.

Commissioner Mazzola began calling speakers and limiting them to two (2) minutes each.

The following individuals spoke against amending the Clean Vehicle Policy citing reasons which included ...

- staff used inaccurate numbers to arrive at conclusions
- it is impossible to absorb the cost of CNG vehicles without the second short
- everyone knew that BART would be coming to the Airport and that cab usage would diminish
- CNG cab drivers do not have an advantage over non-CNG cab drivers
- maintenance of CNG cabs is extreme
- it takes more time to fuel a CNG cab than it does a gas vehicle
- there are not enough CNG fueling stations
- decisions to purchase CNG vehicles were based on the March resolution which offered specific incentives
- taking away this incentive will have a huge financial impact on CNG drivers

**SPEAKERS:**

- Alex Sandor, World Wide Cab
- Mike Dajani, Yellow Cab
- Kiki
- Saam Aryan, Yellow Cab





- Keith Raskin, owner of World Wide Cab
- Todd Moreno delivered a notice of claim to this program.
- T. Mehan
- Alex Cotta, Manager, World Wide Cab
- John Williams
- George Viera

The following individuals spoke in favor of amending the Clean Vehicle Policy citing reasons which included ...

- the playing field has been diminished, creating an unfair disparity in incomes of CNG versus non-CNG cab drivers
- many of these CNG vehicles are single shifters, i.e., they have one or two drivers a day per vehicle, as opposed to three or four a day per vehicle common with the gate and gas drivers
- in some cases incentives are going to the driver and not the vehicle owner
- the lines are now longer at the Airport. Four front of the line privileges per day have lowered the income level of non-CNG drivers. Non-CNG drivers are waiting longer and making less money, while CNG drivers continue to make the same money.
- according to Airport records, many of the CNG drivers don't take all four front of the line privileges per day
- we need more CNG fueling stations. This can be accomplished with the City and PG&E working together. Unless this is accomplished, fueling will remain an issue whether there are incentives or not
- only independent drivers operating under a color scheme have CNG cabs. City needs to encourage companies to get CNG vehicles so all drivers can benefit from incentives
- Policy had the unintended effect of pitting driver against driver
- any incentive program will reach the point of diminishing returns. Some form of mandate may be required to further the City's goals.
- CNGs have other incentives not available to regular drivers, i.e., lower fuel costs, use of HOV lanes, no bridge toll

#### SPEAKERS:

- Barry Taranto
- Tone Lee
- Magdy Kamel
- A. Wali Shokoor
- Ram Goppal
- Kim Rosenkrantz
- Ann McVeigh, Yellow Cab
- Peter Witt
- Victor Chang
- Gudu Abdulbak
- Henry Kim, Exec. Director, S.F. Taxicab Association
- John Michel Normand, United Taxicab Workers
- Mark Gruberg
- Pablo Gravodor, Luxor Cabs
- Gormail Uppal



- Jaswinder Singh
- Dan Vo
- Long Vinh Ngo
- Murai
- Dan Hinds, President and General Manager, National Cab Co

\* \* \*

#### G. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 2 was moved by Commissioner Strunsky and seconded by Commissioner Johns. The vote to approve was unanimous.

##### 2. Request for Qualifications to Establish a Pool of Consultants for Airport Management Consulting Services

No. 03-0232                      Resolution authorizing staff to issue a Request for Qualifications to establish a pool of consultants for Airport Management Consulting Services.

Mr. Leo Fermin, Deputy Director, Business and Finance explained that we have on-going needs for various Airport management consulting services. Recently we have used management consultants to provide the independent traffic and earnings forecast that are required for our bond sales, we have used consultants to advise us on both the technical and financial aspects of the West Field Cargo proposals submitted by potential developers, we have used consultants to provide air market analysis, and we have also used consultants to provide financial analysis of the impact of the minimum compensation ordinance and healthcare accountability ordinance on the rental car industry.

Similar to the underwriter pool previously approved by the Commission, our plan is to create a pool of consultants in various disciplines of fields, such as bond feasibility consultant services, concession planning, ground transportation studies, and cargo business analysis.

The plan is to come back to the Commission no later than February of next year for approval and have this pool in place by March at the latest.

\* \* \*

#### H. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 3 through 7, was moved by Commissioner Strunsky and seconded by Commissioner Johns. The vote to approve was unanimous.

##### 3. CalStar Retail, Inc.'s Boarding Area F Newsstand Lease No. 98-0026

No. 03-0233                      Resolution approving the holdover of CalStar Retail, Inc.'s Boarding Area F Newsstand Lease



No. 98-0026 on a month-to-month basis, under the current terms and conditions.

4. Modification No. 7 to Lease and Use Agreement L-82-0119 with Northwest Airlines and Modification No. 6 to Lease and Use Agreement L-82-0115 with Delta Air Lines

No. 03-0234  
No. 03-0235

Resolutions approving Modification No. 7 to Lease and Use Agreement L-82-0119 with Northwest Airlines and Modification No. 6 to Lease and Use Agreement L-82-0115 with Delta Air Lines whereby each airline will relinquish to the Airport approximately 400 sq. ft. of Category I space in Terminal 1 for the development of a food and beverage outlet as a part of the Domestic Terminal Food and Beverage Redevelopment Program.

5. Approve Lease Specifications and Minimum Qualifications for the Boarding Areas "B" and "C" Books and News Stores Lease and Holdover Host International's Boarding Areas "B" and "C" Bookstores Lease No. 98-0254

No. 03-0236  
No. 03-0237

Resolutions (1) approving lease specifications, minimum qualifications and proposal requirements, and authorizing staff to accept proposals for the Boarding Areas "B" and "C" Books and News Stores Lease, and 2) approving a month-to-month holdover and eliminating the Minimum Annual Guarantee during the holdover period of Host International, Inc.'s Boarding Areas "B" and "C" Bookstores Lease, with all other terms and conditions unchanged.

6. Approve Lease Specifications, Minimum Qualifications and Bid Requirements and Authorization to Conduct a Pre-Bid Conference for the Vending Machines Lease

NO. 03-0238

Resolution approving the proposed lease specifications, minimum qualifications and bid requirements, and authorizing staff to conduct a pre-bid conference for the Vending machines Lease.

7. Consent to Assignment of New International Terminal Bookstore/Café Lease from WHSmith to Airport Management Services, LLC



Resolution consenting to assignment of the New International Terminal Bookstore/Café Lease from W.H. Smith Airport Partners, Inc., F/K/A WH Smith Hotel Services, Inc. to Airport Management Services, LLC.

\* \* \*

I. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests to speak from the public.

\* \* \*

J. CORRESPONDENCE:

There was no discussion by the Commission.

\* \* \*

K. CLOSED SESSION:

The Airport Commission did not go into closed session.

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

\* \* \*

L. ADJOURNMENT:

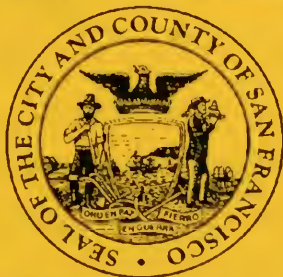
There being no further calendared business before the Commission the meeting adjourned at 10:55 A.M.

  
Jean Caramatti  
Commission Secretary





# **SAN FRANCISCO AIRPORT COMMISSION**



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## **MINUTES**

December 9, 2003

Special Meeting

9:00 A.M.

Room 400 - City Hall  
#1 Dr. Carlton B. Goodlett Place  
(400 Van Ness Avenue)  
City and County of San Francisco

**WILLIE L. BROWN, JR., MAYOR**

### **COMMISSIONERS**

**LARRY MAZZOLA**

President

**MICHAEL S. STRUNSKY**

Vice President

**LINDA S. CRAYTON**

**CARYL ITO**

**ELEANOR JOHNS**

**JOHN L. MARTIN**

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT  
SAN FRANCISCO, CALIFORNIA 94128**



Minutes of the Airport Commission Special Meeting of  
December 9, 2003

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# AIRPORT COMMISSION SPECIAL MEETING MINUTES

December 9, 2003

## A. CALL TO ORDER:

The special meeting of the Airport Commission was called to order at 9:07 AM in Room 400, City Hall, San Francisco, CA.

\* \* \*

## B. ROLL CALL:

Present: Hon. Larry Mazzola, President  
Hon. Michael S. Strunsky, Vice President  
Hon. Linda S. Crayton  
Hon. Caryl Ito  
Hon. Eleanor Johns

\* \* \*

## C. ADOPTION OF MINUTES:

The minutes of the regular meeting of November 4, 2003 were adopted unanimously.

No. 03-0240

\* \* \*

## D. SPECIAL ITEM:

Item No. 1 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

### 1. Retirement Resolution - Clifford "Duke" Briscoe

No. 03-0241

Mr. John Martin, Airport Director, said that this resolution recognizes the outstanding service of Mr. Duke Briscoe to the Airport over a 56 year period. He began his career in 1947 working for Hughes Air West and Republic Airlines. He came to work for the Airport Commission in 1981 and shortly after that was named Deputy Director of Airport Operations and has continued in that position for the last 20 years.

Mr. Briscoe is respected at the Airport for his firm, fair and friendly approach. We have asked him to work part time after his retirement as he is a valuable asset to the Airport. We wish him well in his official retirement.





Ms. Shelley Kessler, San Mateo Labor Council, said that she has been with the Labor Council for 18 years. From the first moment she met Duke Briscoe he has made an effort to insure cooperation, that we respect one another, that we both agreed to do what we said we would on either side. The labor community appreciated the good relationship they had with him.

She hoped his replacement would be as cooperative as Mr. Briscoe has been. She said that she will miss Mr. Briscoe and thanked him for the work he has done.

Item No. 2 was moved by Commissioner Ito and seconded by Commissioner Crayton. The vote to approve was unanimous.

2. Retirement Resolution - Lamont Foster

No. 03-0242

Mr. Martin said that Lamont Foster has had a very long and exemplary career at the Airport, serving 36 years. He began with the Airport Police Department in 1967, transferred to Airfield Operations, working first as an Airfield Safety Officer, then an Airport Operations Supervisor, and finally as an Airport Operations Coordinator, the number two position in Airfield Safety.

Mr. Foster has contributed greatly to our successful airfield safety record and is looked up to by his fellow employees.

We extend to Mr. Foster good wishes in his retirement and thank him for his many years of service.

Item No. 3 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

3. Commendation for Mara Rosales

No. 03-0243

Mr. Martin said that Ms. Rosales has 20 years of outstanding service to the City, more than 10 of which have been with the Airport. She has been a great advisor to him and the previous Director as Airport General Counsel and has been a key member of the Senior Staff. Ms. Rosales played a very important role in the successful completion of the Master Plan. She has the proactive problem-solving attitude of an attorney that an Airport Director or a CEO looks for.

He wishes Ms. Rosales well in her new career in the private sector and hopes that their paths will cross again.



Commissioner Crayton said that she has enjoyed working with Ms. Rosales. She has been extremely helpful and supportive. She thanked Ms. Rosales for her role and her leadership.

Commissioner Ito thanked Ms. Rosales for her thorough and clean counsel. She told Ms. Rosales that she will be missed but wished her the best in the private sector. It is hard for the Commission to accept that she is finally making the break from the Airport but that she will always be thought of. She thanked Ms. Rosales for her counsel over the years.

Ms. Kessler said that there were magic moments with Ms. Rosales and the labor community and some of them were less pleasant than others. She was there with Lou Turpen when we started the Project Labor Agreement, the first of its kind in the nation. The PSA created an environment that enabled people to get better wages and created a good working rapport between the labor community and the Airport Administration. Ms. Rosales worked with the labor community behind the scenes to help resolve issues before they came to the Commission. Many issues were resolved behind the scenes by Ms. Rosales and Mr. Carl Bunch that the Commission never had to deal with.

On behalf of the labor community, that for whatever those magic moments were with Ms. Rosales, there was great work that was done.

Commissioner Mazzola thanked and congratulated Mr. Briscoe, Mr. Foster and Ms. Rosales. Cumulatively they have over 100 years of service at the Airport. He first met Mr. Briscoe when his father was an Airport Commissioner in the 1970s. He wished Mr. Briscoe and Mr. Foster well in their retirement and wished Ms. Rosales well in the private sector.

\* \* \*

#### E. DIRECTOR'S REPORT:

##### 4. MFAC - 2003 Public Managerial Excellence Awards

Recognition of Rafael Centeno, Human Resources Director, and Tryg McCoy, Assistant Deputy Airport Director of Operations, as the Airport nominees for the 2003 Public Managerial Excellence Awards.

Mr. Martin said that each year the Airport selects managers as nominees for this award. This year they are Rafael Centeno and Tryg McCoy. Mr. Centeno is Director of Human Resources and has done an outstanding job through the Master Plan when we had to quickly bring a large number of employees on board. He also did an outstanding job as we faced the economic down turn following 9/11. He is recognized as significantly improving the Human Resources service level for other employee groups at the Airport.

Mr. Martin presented Mr. Centeno with a certificate of recognition.



Mr. Martin said that Tryg McCoy is the Assistant Deputy Director for Operations, overseeing the Airport Duty Managers, and, more recently Landside Operations. He has a number of important security functions, he took the lead in reconfiguring the checkpoints and making sure that we have adequate staffing so that we have been able to insure that lines are much shorter than other airports around the country.

Mr. Martin thanked Mr. McCoy for his tremendous work and asked him to step forward to present him with his certificate of recognition.

\* \* \*

#### F. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Strunsky asked the Director to bring the Commission up to date on the West Field Cargo Project.

Mr. Martin explained that the Airis Cargo Development Project appeared before the Finance Committee of the Board of Supervisors last week and was voted down by a 2-1 vote. He understands that a member of the Board of Supervisors will call it up to the full Board level today and that should result in a full Board of Supervisors vote next week.

Commissioner Strunsky said that it was his understanding that our Airline Liaison Office appeared before the Board of Supervisors and had a decidedly negative cast on this, despite the fact that the Commission overwhelmingly voted to approve this project.

Mr. Martin said that the Airline Liaison Office, headed by Greg Casto, was asked to be present today in the event that the Commission had any questions.

The ALO acts at the direction of the Airline Affairs Committee. We have always had the expectation that in representing the airlines they would come before the Commission and state airline objections and the final adjudication would be made by the Commission. He told Mr. Casto that the ALO's action was inappropriate.

The airlines have objected to the Master Plan, BART, rate increases, but this is the first time they went beyond the Commission to the Board of Supervisors. He has directed the ALO not to do that in the future as it would be inconsistent with their contract. If the airlines choose to go before the Board of Supervisors that is their choice. As an Airport contractor the ALO should not be lobbying the Board of Supervisors.

Commissioner Strunsky understood that the ALO presented a letter to the Board of Supervisors indicating the airline participation. He is interested in seeing a signed copies of that letter.

Mr. Martin said that he has asked Mr. Casto to appear today and to have the signed letters with him.

Mr. Greg Casto, Airline Liaison Office, said that he had the airline signature pages for 17 of the 20 airlines who authorized the ALO to cosign the letter that was submitted to the Board on December 2. (See attached) He also included an email from yesterday



from one of the remaining three airlines indicating that the ALO would have their signed letter by 10:00 AM this morning. He also just received a phone call from Korean Airlines, one of the three remaining airlines, authorizing him to affirm to the Commission that the ALO is authorized to include their name on this letter and that they will submit their signed letter today. The third airline, EVA, has also authorized the ALO to include EVA Airways as a cosigner of the letter. As a traditional Asian corporation they are awaiting a signature back from Taipei.

Mr. Casto explained that he is one of two individuals who work part time in the ALO.

Commissioner Mazzola said that it is his understanding that the ALO addresses the Commission on issues but does not go to the Board of Supervisors.

Mr. Casto responded that there have been issues that have arisen over the years that have given rise to the airlines communicating to the Mayor's Office, the Board of Supervisors, the FAA, the US DOT, US Customs and Immigration where the airlines have directed the ALO, or the Airport has requested the ALO's assistance for the mutual benefit of the airlines and the Airport, to interface with those organizations. Those are more exceptions rather than the rule. Typically, most of the issues are dealt with at the Airport staff level or at the Commission level. But it is not without precedent that the ALO has interacted with the Board of Supervisors and/or the Mayor's Office.

Commissioner Mazzola commented that he has not seen this before.

Commissioner Strunsky remembered that it happened with BART to the Airport.

Mr. Casto said that there have been several occasions.

Commissioner Mazzola asked Mr. Casto to meet with the Director to come to an understanding of whether the ALO will take direction from the airlines and bypass the Commission, or, return to the system of speaking to the Commission about problems or issues the airlines may have.

Commissioner Crayton felt it was more serious than that. The ALO failed to provide this communication to the Commission or to the Director before going to the Board of Supervisors. This is causing a lot of confusion where there should be cooperation.

The intent of the ALO was to provide communication, cohesiveness and connectivity between the airlines and the Airport. This is a serious matter that needs to be corrected immediately.

Mr. Casto said that he understood. It has been the ALO's practice to copy the Commission on anything that has gone beyond this body. The December 2 letter is copied to the Director but it is an oversight that it was not courtesy copied to the Commission. The oversight will be corrected immediately.

Commissioner Johns said that she was shocked that we were funding a liaison office that was actually acting as a lobbying entity. She received a copy of the letter the day of the Board Committee hearing.







Communication is of the utmost importance. Since the ALO is funded by the Airport, the Commission needs to have a better understanding of its function.

Mr. Casto said that he understood. With regard to the timeliness of the letter, he assured the Commission that due to the time sensitivity, the fact that they were working over a holiday weekend, waiting for the approvals from the airlines relative to the draft letter it was not finalized until the day before the meeting. The ALO does not see itself as a lobby organization. Their role through the years has been to coordinate amongst the airlines to help them facilitate their consensus position with regard to an issue and then communicate that issue. Sometimes it is what the Commission and staff want to hear, sometimes it is not. They often find themselves in the position of being the messenger and sometimes the messenger gets shot.

The ALO does not see itself as a lobbyist or proponent. Rather they are trying to communicate the position and perspective of the airlines on issues as best they can.

Commissioner Crayton asked Mr. Casto who asked the ALO to make the presentation.

Mr. Casto responded that they were directed by the 20 airlines who co-signed the letter, which is under the direction of the Executive Committee of the Airline/Airport Affairs Committee.

Commissioner Crayton asked if he received a directive of the Board of Supervisors or a Committee of the Board to appear before them.

Mr. Casto responded that they did not.

Commissioner Crayton asked if the ALO notified anyone in advance that the ALO would be appearing with that letter.

Mr. Casto responded that the ALO did give notice to the Airport that it would be submitting a letter to the Board of Supervisors.

Commissioner Crayton said that she was referring to the Board of Supervisors.

Mr. Casto responded that there were some pre-meetings with some of the airline representatives and Board of Supervisors representatives.

Commissioner Crayton asked Mr. Casto if he coordinated those meetings.

Mr. Casto responded that he did not coordinate the meetings. The ALO did participate in the set up of those meetings at the request of the airlines.

Commissioner Crayton said that the ALO has been acting as a lobbying arm. This is very serious. The ALO has acted inappropriately.

Commissioner Mazzola said that the Commission has expressed its displeasure regarding this issue. He recommended that the Director meet with the airline representatives.



Commissioner Strunsky added that he would like the Director to return to the Commission with a brief analysis and proposal to eliminate the ALO, cease funding and establish our own entity to do this job. He would like to determine if there is a cheaper and more responsive way of moving ahead with our relationship with the airlines other than the ALO.

Mr. Martin responded that he will provide an evaluation.

Commissioner Johns said that it is important to redefine the function of the Liaison Office. Any lobbying should be done by the airlines directly.

Mr. Martin indicated that his letter to the ALO directed them to stop at the point of the Commission regarding City issues. Once the Commission had made a decision and the ALO has expressed the concerns of the airlines, the ALO's role should stop. It would then be up to the airlines to pursue the issue further.

\* \* \*

#### G. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 5 was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

5. Modification No. 1 to Contract 5521PR, On-Call General Construction - Granite Rock Company, dba Pavex Construction Division and John Bertoldi, Inc., A Joint Venture (Pavex/JBI) - \$2,166,935.

No. 03-0244

Resolution approving Modification No. 1 to Contract 5521PR, On-Call General Construction, Granite Rock Co., dba Pavex Construction Division and John Bertoldi, Inc, a J.V. (Pavex/JBI), in the amount of \$2,166,935. The scope of Contract 5521PR Modification No. 1 comprises work associated with the Domestic Terminals Food and Beverage Redevelopment Program.

Mr. Ivar Satero, Airport Development, explained that this modification provides for as-needed construction in support of the Domestic Terminals Food and Beverage Program. The unit prices contained in the original contract are directly applicable to the work that we contemplate assigning to them under the Food and Beverage Program.

This modification gives the Airport the flexibility to pursue a prototype food court, which is the first food court we will be constructing under the Food and Beverage Program. This will allow us to make changes to the food court and will provide greater efficiencies as we design and construct the remaining five food courts.



We also anticipate that there will be \$6 million in additional construction issued as lump sum contracts for those remaining food courts. The funding will be provided from the Food and Beverage Program, and the budget is within the overall budget established for the Program.

Prior to authorizing any scope under this modification, it will be presented to the Airport's Small Project Advisory Committee if under \$100,000; if over \$100,000 it will be presented to the Airport's Capital Project Review Committee. This modification and scope has been reviewed and approved by the Human Rights Commission.

Commissioner Johns asked if this contract includes plans submitted by food and beverage operators selected for this Program.

Mr. Satero responded that it has no relation to their designs and construction. It is work that the Airport is obligated to undertake prior to tenant work.

Commissioner Strunsky assumed that this is an extension of a group of unit prices that the Commission received. He also assumed that these are competitively bid and not negotiated prices.

Mr. Satero said that that was correct.

Item No. 6 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

6. (1) Terminal 3 Newsstands Lease: a Disadvantaged Business Enterprise Set-Aside, and (2) Host International Inc.'s North Terminal Concession Opportunity Lease No. 98-0150

No. 03-0245  
No. 03-0246

Resolutions (1) approving lease specifications, minimum qualifications and proposal requirements, and authorizing staff to accept proposals for the Terminal 3 Newsstands Lease, a Disadvantaged Business Enterprise Set-Aside, and (2) approving the holdover on a month-to-month basis of Host International, Inc.'s North Terminal Concession Opportunity Lease, with all other terms and conditions unchanged.

Mr. Leo Fermin, Deputy Director, Business and Finance, explained that Host holds a retail lease in Terminal 3 which expires in March 2004 and they have declined to exercise the option on the lease to extend the term. This item provides for a holdover on the lease and authorizes staff to proceed with an RFP process to develop two of the seven spaces as a DBE set-aside Newsstands Lease.

One of these newsstands is located pre-security near Gate 68. The other site is post-security in Boarding Area E, about two-thirds of the way down the pier. We



are planning to develop these spaces as DBE set-asides in order to bring more local emphasis and to increase participation for small and disadvantaged businesses. We believe this will be an excellent opportunity for a small business due to the locations and the minimal investment required.

The other locations under the Host lease will temporarily continue on a month-to-month holdover until we redevelop the spaces. These spaces include the Awesome Adams store located pre-security at Boarding Area E and a cluster of three shops, known as Shift 'N Gears Toy Store, Wilson's Leather and Simply Books which are located between the two moving walkways on the finger of Boarding Area F between Gates 83 and 85, and the Sunshade Optiques which is adjacent to Gate 68.

Eventually the Awesome Adams space will be used in a planned reconfiguration of the security checkpoint at Boarding Area E, and the rest of the spaces will be redeveloped as a high end leather store, another bookstore and possibly another newsstand.

We will return in January to request approval of the concepts and an RFP process.

Commissioner Crayton noted that the minimum qualifications required a gross revenue of \$500,000 and asked if that is for all five years. The downturn in the economy may have eliminated perspective minority bidders.

Mr. Fermin responded that that is one of the points to be discussed at the pre-proposal conference. In the past, newsstands have averaged \$50,000 a month in gross sales but with the downturn there is the fear that that amount may be too high.

Commissioner Crayton said that she does not want this issue to keep people from coming to the pre-proposal conference.

Item No. 7 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

7. Bid Call - Contract No. 8288 - Airport Museum Relocation

No. 03-0247	Resolution approving the scope, budget, and schedule for Contract No. 8288, Airport Museum Relocation, and authorizing the Director to call for bids when ready.
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Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance explained that this contract will move the Museum staff from its current location on El Camino Real on the border of Millbrae and Burlingame to Building 666 on Airport. This building is located between the Engineering Building and the Post Office facility on West Field Road.





We currently pay over \$500,000 a year in rent for the El Camino Real space.

The total length of the contract is 190 calendar days, which coincides with the remaining term of the El Camino lease.

\* \* \*

#### H. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 8 and 9 and 11 through 16, was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

8. Approve Third of Three One-year Options for the Airport Survey Contract to Conduct Passenger Surveys for Calendar Yea 2004 - Polaris Research and Development, Inc. - \$57,000

No. 03-0248                      Resolution approving the third of three one-year options for the Airport survey contract with Polaris Research and Development, Inc. to implement survey work for calendar year 2004 in an amount not to exceed \$57,000.

9. Airport Public Parking Facilities Operating Agreement - Exercise Second One-Year Option to Extend Term - Ampco System Parking, Inc.

No. 03-0249                      Resolution exercising second one-year option to extend the Airport Public Parking Facilities Operating Agreement with Ampco System Parking, Inc.

Item No. 10 was removed from the Consent Calendar for discussion. Item No. 10 was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

10. Airport Employee Parking Facilities Operating Agreement Exercise Second One-Year Option to Extend Term - Pacific Park Management, Inc.

No. 03-0250                      Resolution exercising second one-year option to extend the term of Pacific Park Management, Inc.'s agreement with Pacific Park Management, Inc.

Mr. Martin said that since 9/11 and the economic downturn a number of contracts have been reduce significantly, particularly contracts that have been volume driven based on the employee and passenger counts. We have seen the Polaris Contract for the Information Booth, the DAJA/Shuttleport Curbside Management Contract, the AMPCO Contract for parking and this contract



reduced significantly. We have also sought to use technology to further reduce the costs in these areas and have put particular pressure on all of these contractors to lower their profit margins. Their profit margins are usually calculated as a percentage of the total contract value. For several of these contractors they have to absorb the insurance costs out of the management fee. Insurance costs have not gone down even though the volume of their business has gone down.

In response to questions that have been raised he has asked for specific figures from Pacific Park Management in order to demonstrate the difficulties they are experiencing as a result of all of these factors.

Mr. Steve Gordon, Airport Finance Division, said that we began with a budget of approximately \$2.8 million for calendar year 2002. This budget was prepared late in 2001, prior to 9/11. As with other areas of Airport business, the employee population reduced drastically. More recently, with BART commencing service to the Airport there has been a further drop off in demand. During 2001 and 2002, we continued to add to parking capacity. While many of the facilities in Pacific Park Management's operation were fairly full, by 2003 many of them were operating under a very low occupancy rate. In some instances we had to shut down half of individual facilities which resulted in cutbacks in staff. We have automated facilities as well, going from a hang tag system which required security guards roving through the facilities to make sure every car had the correct hang tag to a magnetized card to enter and exit the gate. Shutting down several levels in the garages has also reduced the need for janitorial services.

We have gone from a \$2.8 million budget for calendar year 2002 to \$1.6 million for the current year, and approximately the same amount of money proposed for 2004.

The contract specifies profit and fee as a percent of the actual operating budget.

Commissioner Johns asked if there were any representatives from Pacific Park Management who wished to speak.

Mr. Martin said representatives from Pacific Park Management are present and they are welcome to speak. We are very pleased with the service they are providing. Renewing this contract will provide a very small profit margin. They must decide whether they want to continue the contract. We have done all that we can within the contract ... we have allowed the two partners to assume the General Manager roles so that they do not have to contract that out separately. We are paying the maximum management fee allowed under the contract.

If the Commission decides to exercise the option and Pacific Park Management decides not to renew the contract we will let them walk away from it given the difficult circumstances they face.



When we bid future parking contracts we will make insurance costs a reimbursable expense and that will eliminate a risk item and change how they calculate their profit.

Commissioner Mazzola asked if next year would be more profitable for them.

Mr. Martin responded that we are stuck under the current contract with the insurance costs. If Pacific Park chooses to exercise the option and they indicate that they don't want to continue beyond the one year, we would rebid it in the next calendar year. He would ask Pacific Park to consider renewing the contract for one year in order to give us time to bid it again. Obviously, as the current contractor who is doing a good job they will enjoy a certain advantage.

Commissioner Strunsky asked if Pacific Park will do better if traffic picks up.

Mr. Martin responded that if traffic picks up and we open up a couple of more levels of the parking garage, their overall reimbursable budget may increase to \$1.6 million but the total management fee is still only 12% so perhaps they go to a profit of \$25,000 which is not enough.

Commissioner Johns asked about the other expenses in the reimbursable budget and what they include.

Mr. Gordon responded that approximately 70% to 80% is for capital cost items, purchasing items, computerized parking systems. It is a combination of maintenance of equipment, accounting and legal services, materials and supplies, but most of it is capital cost.

Mr. Martin explained that Pacific Park Management has the responsibility of maintaining the equipment on the key card access system.

Mr. Martin said that he will meet with Pacific Park Management and will inform the Commission of their decision.

Commissioner Strunsky hoped that they will renew their contract.

11. Bid Call - Contract No. 8323 - Elevator, Escalator and Electric Walk Repair and On-Call Service Contract

No. 03-0251

Resolution approving the scope, budget, and schedule Contract No. 8323, Elevator, Escalator and Electric Walk Repair and On-Call Service Contract, and authorizing the Airport Director to call for bids when ready.

12. Bid Call - Contract No. 8305 - As-Needed Electrical Construction/Repairs



No. 03-0252

Resolution approving the scope, budget, and schedule for Contract No. 8305, As-Needed Electrical Construction/Repairs, and authorizing the Director to call for bids when ready.

13. Bid Call - Contract No. 8314 - Airport Facilities - Mechanical and Plumbing Improvement

No. 03-0253

Resolution approving the scope, budget, and schedule for Contract No. 8314, Airport Facilities - Mechanical and Plumbing Improvement, and authorizing the Director to call for bids when ready.

14. Bid Call - Contract No. 8235F - As-Needed General Construction

No. 03-0254

A resolution to approve the scope, budget, and schedule for Contract No. 8235F, As-Needed General Construction, and authorizing the Director to call for bids when ready.

15. Bid Call - Contract No. 8222 - People-Moving Equipment Chain Replacement

No. 03-0255

Resolution approving the scope, budget, and schedule for Contract No. 8222, People-Moving Equipment Chain Replacement, and authorizing the Airport Director to call for bids when ready.

Commissioner Strunsky said that Item No. 15 seemed to be redundant to Item No. 11.

Mr. Eavis responded that Item No. 15 is the actual purchase and installation of the chain. Item No. 11 is a year to year contract that takes the place of maintenance agreements for elevators and escalators. Item No. 11 does not address replacement issues as there is not enough money in this contract for replacement equipment.

16. Donation of Gifts to San Francisco Airport Museums

No. 03-0256

Resolution approving acceptance of donations of artifacts to the San Francisco Airport Museums Aviation Collection.

\* \* \*





I. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Mr. Barry Taranto, appeared to honor Mr. Briscoe on his retirement. There is no one more professional in public service than Mr. Briscoe. He treats everyone with respect, and works out compromises and solutions. He was always able to reach him on the phone. He hoped that his replacement will have the same standards and provide the same professionalism and treatment of people.

He also commended Ms. Rosales who helped draft the agreement that dealt with freezing the trip fees. He appreciated her work. She treated everyone with respect.

Mr. Taranto also wanted to honor Mr. Tryg McCoy. No one is more deserving of the honor than Mr. McCoy. He took over Landside Operations and took every matter seriously. He treated everyone with respect. He understood the problems and communicated them well to his superiors.

Mr. Taranto said that he did not protest the extension of the AMPCO contract but they are remiss in replacing the spitter ticket ink. It makes it very difficult to read the spitter ticket and taxi drivers want to be able to see what time was stamped on the ticket. The mechanism either needs to be replaced or the equipment needs to be checked every day. He hoped that AMPCO will take a more active role in that area.

He thanked the Commission for handling the very delicate issue regarding the CNGs. There is an article about it in their latest newsletter that came out last week. He will provide a copy to the Director.

Everything has calmed down at the Airport. Everyone is getting along. The way the circulation was designed is fantastic.

Mr. Taranto said that the limousine operators are playing a new game. He said that the limousines surround the elevator cores on the third level of the garage. They work in pairs, with the driver staying with the vehicle and another person located in the baggage claim area with a cell phone looking for fares. The Airport Police needs to establish a sting operation.

He wished the Commission Happy Holidays.

Commissioner Mazzola asked Mr. Martin to look into the limousine issue.

\* \* \*

J. CORRESPONDENCE:

There was no discussion by the Commission.



K. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 10:06 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled CCSF v Tutor-Saliba Corp, et al, U.S. District Court Case No. C02-5286 EDL; CCSF v William D. Spencer, Spencer & Son, Inc., et al U.S. District Court Case No. C02-3086 WDB; and CCSF v Scott Co. of California, et al, San Francisco Superior Court Case No. 306-623; and, Government Code Section 54956.9(b) to confer with legal counsel regarding potential litigation.

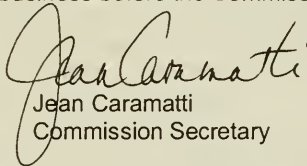
Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 10:55 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

\* \* \*

L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:56 A.M.

  
Jean Caramatti  
Commission Secretary



# MEMORANDUM

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DATE: December 2, 2003

TO: City and County of San Francisco Board of Supervisors

Hon. Matt Gonzalez, President  
Hon. Jake McGoldrick  
Hon. Gavin Newsom  
Hon. Aaron Peskin  
Hon. Fiona Ma  
Hon. Chris Daly  
Hon. Tony Hall  
Hon. Bevan Dufty  
Hon. Tom Ammiano  
Hon. Sophie Maxwell  
Hon. Gerardo Sandoval

FROM: Airline Liaison Office

SUBJECT: West Field Cargo Area Redevelopment Project

This letter is written on behalf of the 20 airlines that have signed this letter (the Airlines) to call on the Board of Supervisors to not approve the West Field Cargo Area Redevelopment Project when it comes before you for the following reasons.

- Both San Francisco International Airport and the Airlines have historically not allowed third party development at the Airport because of the higher cost of this development approach and loss of control over the project. It is the understanding of the Airlines that the Mayor of San Francisco insisted on a third party developer approach for the Project against the wishes of Airport staff and the Airlines.
- The Selection Panel for the Project twice selected AMB Property Corporation, a local San Francisco company with extensive air cargo facility development experience, for the Project rather than Airis Holdings. The San Francisco Airport Commission awarded the Project to Airis despite the findings of the Selection Panel.
- The AMB proposal would have resulted in lower Airline tenant rental rates and a greater amount of revenue paid to the Airport at no greater risk to the Airport according to the Airport's financial analysis of the two proposals. Therefore, both the Airport and the Airlines would be financially worse off under the Airis Project than they would be under the AMB proposal.



- The business deal negotiated between Airis and the Airport will result in an Airis-projected 2007 airline warehouse rental rate of \$36.15. The \$32.12 present value of this rate is significantly higher than the \$17.38 to \$19.13 rate currently paid by the airlines in the existing West Field Cargo Area facilities for similar warehouse space.
- Airis will receive a profit of \$258 million (or a present value of almost \$80 million) compared to a return of just \$162 million (or a present value of \$59 million) to the Airport throughout the 30-year term of the Project according to the Airport's financial analysis of the Airis business deal. This developer profit, that would not be present if the Project were developed by the Airport itself or by the Airlines, will be paid through airline rentals. The Airport and the Airlines have both successfully developed other air cargo facilities at San Francisco and at many other airports across the country. Airis participation in the Project therefore offers no benefit over other approaches to developing the Project. The Airlines will, however, pay needlessly high rental rates simply to cover this large Airis profit if the Project is allowed to go forward.
- The proposed Additional Ground Rent will impose an extraordinary fee on the Project that will be passed through directly to the airlines rather than the simple ground rent that is imposed on all similar facilities at the Airport.
- The Airis business deal prohibits the Airport from allowing other cargo facility development on the Airport for (1) a five-year period following Project completion or (2) until the Project is 90% leased, whichever occurs first. As no other significant cargo space is available on the Airport, this provision would give Airis a monopoly on cargo space at the Airport for this time period.
- The Airlines were not consulted regarding the design of the Airis Project. The Airlines are concerned that the proposed two-story design will result in cargo handling difficulties for Airlines on the second floor. In addition, the excess depth of the cargo bays will likely require the leasing of additional space simply to gain control of the needed number of loading dock positions.
- The Airlines are concerned that the high rental rates in the proposed Airis Project would: (1) drive their on-Airport cargo operations off-Airport, (2) keep their off-Airport cargo operations off-Airport, or (3) result in relocating their cargo operations to other cities. Such actions would result in reduced revenue to the Airport and the loss of jobs and other economic activity to the City.

Thank you for considering the Airlines' concerns regarding the Airis Project. We believe that the Airis business deal is a bad one for the City, the Airport, and the Airlines. We would be welcome the opportunity to meet with you individually should you have any questions on the Airlines' point of view on this matter.





Sincerely

*Original Signed By*

Gordon Ostap  
**Air Canada**

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Franck Orioux  
**Air France**

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Laurie Curtis  
**Alaska Airlines**

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Jayson Haynes  
**American Airlines**

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Nancy Hunt  
**British Airways**

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Monique Chen  
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Neil Maxfield  
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Mike Wright  
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Peter Kim  
**Korean Air**

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Mick Sato  
**All Nippon Airways**

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John DeCoster  
**Northwest Airlines**

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Erkki Gronholm  
**American Trans Air**

*Original Signed By*

Victor Chin  
**US Airways**

*Original Signed By*

John Boyle  
**Virgin Atlantic Cargo**



December 2, 2003

Page 4

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Mike Coplon  
**America West**

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Russ Fortson  
**Cathay Pacific**

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Jai Chang Jang  
**Asiana Airlines**

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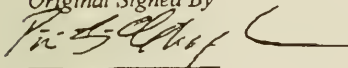
Norman D'Souza  
**Philippine Airlines**

cc: John Martin -- SFIA  
Gary Franzella -- SFIA



Sincerely

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December 8, 2003

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December 4, 2003

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December 4, 2003

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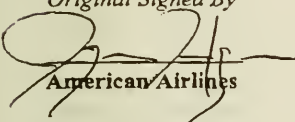
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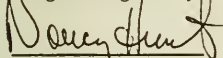
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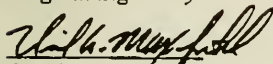
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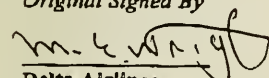
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December 4, 2003

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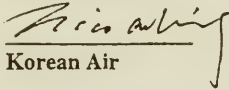
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December 4, 2003  
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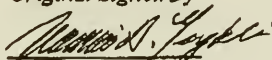
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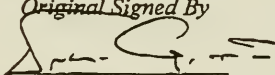
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Virgin Atlantic Cargo

**ERKKI GRONHOLM**  
Director, Airport Affairs  
& Contract Services



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Victor D. Chin  
Regional Director  
Airport Affairs





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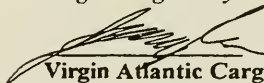
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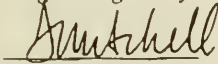


December 2, 2003

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cc: John Martin -- SFLA  
Gary Franzella -- SFLA



December 4, 2003

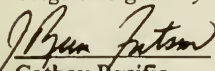
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cc: John Martin -- SFLA  
Gary Franzella -- SFLA

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December 2, 2003

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cc: John Martin -- SFIA  
Gary Franzella -- SFIA

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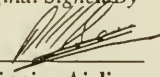
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cc: John Martin -- SFIA  
Gary Franzella -- SFIA









